

**PUBLIC ACCOUNTS COMMITTEE**  
**(1965-66)**

## FORTY-NINTH REPORT

(THIRD LOK SABHA)

(Audit Report on the Accounts of the Khadi and Village Industries Commission for the year 1963-64)



LOK SABHA SECRETARIAT  
NEW DELHI

April, 1956! Chaitra, 1888 (Saka)

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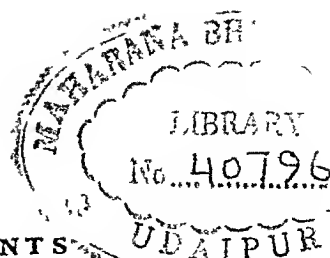
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#### PART II—PROCEEDINGS\*

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- 87TH Sitting held on 7-2-66 (F.N.)
- 88TH Sitting held on 7-2-66 (A.N.)
- 90TH Sitting held on 8-2-66 (A.N.)
- 9<sup>ND</sup> Sitting held on 5-4-66

# PUBLIC ACCOUNTS COMMITTEE

(1965-66)

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2. Shrimati Akkamma Devi
3. Shri Ram Dhani Das
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19. Shri R. S. Panjhazari\*
20. Shri Ram Sahai
21. Shri Niranjana Singh
22. Shri Atal Bihari Vajpayee.

## SECRETARIAT

Shri H. N. Trivedi—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

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\*Ceased to be Members of the Committee consequent on their retirement from Rajya Sabha on 2-4-1966 under Article 83(1) of the Constitution.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, do present on their behalf, this Forty-ninth Report on the Audit Report on the Accounts of the Khadi and Village Industries Commission for the year 1963-64.

2. The Audit Report was laid on the Table of the House on the 31st August, 1965. The Committee examined the Audit Report at their sittings held on the 5th. (afternoon), 7th (forenoon and afternoon) and 8th February (afternoon), 1966. A brief record of the proceedings of each has been maintained and forms part of the Report (Part II)\*

3. The Committee considered and finalised the Report at their sitting held on the 5th April, 1966.

4. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report. (Appendix XLVII). For facility of reference these have been printed in thick type in the body of the Report.

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India.

They would also like to express their thanks to the officers of the Ministry/Department concerned and the Chairman and representatives of the Khadi and Village Industries Commission for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;  
April 7, 1966.  

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Chaitra 17, 1888 (Saka).

R. R. MORARKA,  
Chairman,  
Public Accounts Committee.

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\*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

# MINISTRY OF COMMERCE

## KHADI AND VILLAGE INDUSTRIES COMMISSION

### I

#### A. General

The importance of khadi and village industries in the country's rural economy has been recognised by the Govt. ever since independence. The Five Year Plans have laid emphasis on the promotion and development of rural industries which utilise local raw materials and resources, as also provide additional employment and opportunities of supplementing their earnings (to the rural population). The Planning Commission in their First Five Year Plan observed that "while organisation in the village provides the base, the development of village industries requires drive and direction from the Central and State Governments. The primary responsibility for carrying out programmes for village industries rests with State Governments, but in many aspects the framework within which they can execute programmes for individual village industries is set by the policies followed by the Central Government. In the Central Government, there is, therefore, need for an organisation which will give close attention to the problems of village industries and help to create favourable conditions for action by State Governments, constructive organisations and village co-operatives. In view of the growing importance of the problem of employment, the Central Government must now give the same attention to village and small scale industries as it has undertaken, in view of the shortage of food and raw materials, to give to agriculture".

1.2. An independent organisation known as the All India Spinners Association which was created in the early twenties along with its sister institution, the All India Village Industries Association tried to implement Gandhiji's ideas of rural economic revival during his life time. "These two sister institutions gave to the country not only the experience but the organisational and technical personnel which were of use to it later in spreading khadi and village industries movement in over a hundred-thousand villages."

1.3. Accepting the recommendation of the Planning Commission the Govt. of India set up the All India Khadi and Village Industries Board in January, 1953 by a resolution. In this resolution the func-

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1.3. Accepting the recommendation of the Planning Commission, the Govt. of India set up the All India Khadi and Village Industries Board in January, 1953 by a resolution. In this resolution the func-

tions of the Board were defined as "preparing and organising programmes for the production and development of khadi and village industries, including training of personnel and supply of equipment, supply of raw materials, carrying of research and study of the economic problems of different village industries." The Board was to "function as a clearing house of information and experience relating to these industries" and to "work in close co-operation with the State Governments and the All India Spinners Association". In three or four years it was realised that the Board which was advisory and had limited financial and other powers was handicapped by the procedural requirements of the government machinery. This led to delays in the sanctioning of funds and their utilisation. On representations made by the Board in this regard, the Govt. of India decided in 1956 to set up a statutory commission. The Khadi and Village Industries Commission was accordingly set up on 1st April, 1957 under the Khadi and Village Industries Commission Act, 1956. The functions of the Commission as laid down in section 15 of the Act are generally to "plan, organise and implement programmes for the development of khadi and village industries" and in particular:

- "(a) to plan and organise the training of persons engaged in the production of Khadi and Village Industries;
- (b) to build up a reserve of raw material and implements and to supply them to persons engaged in the production of Khadi or Village Industries at such economical rates as may be suitable in the opinion of the Commission;
- (c) to provide for the sale and marketing of Khadi or of products of Village Industries;
- (d) to encourage and promote research in the technique of production of Khadi or in the development of village industries or to provide facilities for a study of the problems relating to Khadi or Village Industries;
- (e) to maintain or assist in the maintenance of institutions for the development of Khadi or Village Industries;
- (f) to undertake, assist or encourage the production of Khadi or the development of Village Industries;
- (g) to promote and encourage cooperative efforts among manufacturers of Khadi and persons engaged in Village Industries;

(h) for ensuring the genuineness of, and for granting certificates to producers of, or dealers in, Khadi or the products of any Village Industry;

(i) to carry out any other matter which may be prescribed."

1.4. The various schemes of Khadi and Village Industries programmes are executed by the Commission mainly through registered institutions (registered under the Societies Registration Act, 1860 or any other law for the time being in force in any State), cooperative societies and statutory State Boards constituted under the Acts of the State Legislatures. Some schemes are also executed directly by the Commission. There are over 1000 registered institutions, 15 State Boards and about 17,000 cooperative societies through which the Commission operates.

1.5. For executing the schemes, the Commission advances loans and grants to the State Boards and the institutions/cooperative societies subject to the prescribed terms and conditions and loan rules. The statutory State Boards further advance these loans and grants to the institutions and cooperative societies which actually execute the programmes, except for the schemes directly executed by the State Boards. The quantum of assistance in the form of loans and grants is determined according to the patterns of assistance prescribed for each industry and scheme.

1.6. Some of the programmes are executed by the State Boards direct, but by and large the State Boards in turn disburse loans and grants to cooperative societies and institutions for the purpose of implementing the programme. The terms and conditions of the loans to the State Boards are provided in the Commission's loan rules. The loans and grants advanced by the State Boards to the institutions/Cooperative societies are also subject to the terms and conditions prescribed by the Commission with the approval of the Govt. of India.

1.7. Substantial financial assistance is also granted by State Govts. to the State Khadi and Village Industries Boards constituted in every State under the State Acts. These State Boards are subject to the control of the State Legislatures as well as the State Govts. The Committee understand that there is a provision in some of the State Board Acts for the accounts of these Boards to be submitted to the State Legislatures. This is however not a uniform practice and the Commission has therefore suggested the adoption of this practice to those State Govts. where it does not exist. The members of the State Boards are nominated by the State Govern-



ments. Here again no uniform principle is followed in such nomination.

1.8. Then the Commission also gives financial assistance in the form of loans and grants directly to the institutions/cooperatives according to the loan rules and on terms and conditions as in the case of State Board. The policy of the Commission has been to gradually finance such institutions and co-operative societies through the State Boards. According to the Working Group on Khadi & Village Industries the registered institutions which are directly assisted by the Commission are mostly engaged in the production of Khadi and the State Boards have not made any appreciable progress in the implementation of the khadi programme. On the other hand, the bulk of the village industries programme is executed by the State Boards either directly or through institutions and co-operative societies assisted by them

1.9. In order to understand the total financial investment in the Khadi and Village Industries schemes, the Committee had desired to know the total loans, grants, subsidies etc. given by the Government of India to the Khadi and Village Industries Board and later on to the Khadi and Village Industries Commission so far. They also desired to know the grants/loans etc. paid by the various State Govts to their respective State Boards. From the information furnished the Committee find that the Govt of India have so far advanced to the Khadi and Village Industries Board/Commission loans/grants etc amounting to Rs 173.09 crores as detailed in Appendix IA.

1.10. From this statement, it will be seen that the figures of grant, subsidy and loans given by the Government of India to Khadi & Village Industries Commission (and the former Khadi & Village Industries Board) are as under:

(Rs. in Crores)			
	Khadi	Village Industries	Total
Grants	71.24	20.41	91.65
Subsidy	9.57	2.83	12.40
Loan	51.21	17.83	69.04
<b>TOTAL</b>	<b>132.02</b>	<b>41.7</b>	<b>173.09</b>

1.11. They also find that the total financial assistance rendered by State Governments to the respective State Khadi and Village Indust-

ries Boards upto 1964-65 amounts to Rs. 10.33 crores as shown in Appendix IB. Therefore, the financial assistance given by the Central and State Governments to the Commission and the State Boards so far total up to Rs. 193.33 crores.

1.12. The Khadi and Village Industries Commission has grown up to huge proportions employing lakhs of people and it has received grants and loans from public funds which have already amounted to Rs. 173.09 crores. Khadi, if it has to serve its purpose in wider context, should continue to be the symbol of purity, integrity, simplicity and economy with which selfless workers and patriots have been associated. Therefore, while developing and promoting Khadi it should be the main objective of the Commission to see that the public image is not tarnished and these attributes do not suffer any diminution.

1.13. In keeping this objective in view, the Khadi & Village Industries Commission, more than any other organisation, must ensure a proper system of accounting and audit, a better financial discipline and stricter control and supervision over its affairs. From the facts placed before the Committee, they cannot but come to the conclusion that the financial affairs of the Commission including those of the State Boards leave much to be desired. In this connection the Committee would like to point out that the Commission had not till 1963-64 prepared a consolidated profit and loss account and a balance sheet (vide para 46 of 38th Report of P.A.C., 1964-65). The Commission had prepared for all these years only Receipt and Payments Accounts which did not give a clear idea of the financial position of the Commission. The Committee cannot but emphasise the need for maintaining the consolidated profit and loss accounts and balance sheet by an organisation which has invested huge public funds in its trading activities.

1.14. The Committee had sent a questionnaire arising from the Audit Report on the accounts of the Khadi and Village Industries Commission for the year 1963-64 for written replies from the Department of Social Security (now being dealt with by Ministry of Commerce) so that their examination of the Audit Report and various points arising therefrom could be exhaustive and fruitful. The list of questions and the written replies given thereto are appended to this Report (Appendices Nos. I—XXV).

115 Explaining the nature of financial control exercised by the Commission it has been stated in the note furnished that

- (a) the accounts of the State Boards are subject to audit by the respective Accountant General. In recent years the procedure of conducting the study of the working of the various State Boards has also been introduced
- (b) the accounts of institutions, cooperative societies directly aided by the Commission are audited by the internal audit wing of the Commission for the purposes of obtaining the utilisation certificates to see that the funds provided have been utilised for the specific purposes for which they have been sanctioned. In addition the accounts of these institutions and cooperative societies are audited by Chartered Accountants and the auditors of Cooperative Department of the respective State Governments
- (c) the accounts of certain trading activities directly run by the Commission are also subject to audit by the internal audit wing of the Commission
- (d) the Commission obtains confirmation of loan balances from the various State Boards and directly aided institutions/cooperative societies annually
- (e) the Commission has also prescribed periodical returns to be submitted by the implementing agencies which give a comprehensive picture about the progress of various schemes and achievements in terms of production as well as employment etc.

#### B Financial Assistance by Government

116 The Committee had desired to know whether it was envisaged at any stage that Khadi industry would be able to stand on its own legs in course of time or whether it had been accepted that Khadi industry would always need financial assistance from Government in increasing amounts. Explaining the position it has been stated that the programme for the development of Khadi was accepted because of its social and economic significance. That was the consideration that weighed with the Planning Commission in including the development of Khadi and other village industries as an integral part of the series of the Five Year Plans employment being one of the basic objectives of all the Plans

117 In the strict commercial sense it has been stated that Khadi has never been conceived to be a self-supporting industry. It

cannot compete with the large-scale mechanised sector. This industry is spread far and wide in the rural parts, which has necessarily to shoulder some overheads by way of transport of raw materials and finished products. Considering therefore the present gap in the cost of Khadi and mill cloth, it may not be possible to eliminate completely the price differential altogether so as to make the industry self-sufficient. The Committee have also been informed that steps are being taken to create a situation favourable for the reduction in subsidy. These include reservation of spheres, adoption of improved technology in spinning, weaving and other ancillary processes of production. As a result thereof the earning capacity of the artisans is stated to be increasing.

1.18. The Public Accounts Committee, 1964-65, in para 46 of their 38th Report had made certain suggestions regarding reservation of spheres of production. On this subject, the Chairman of the Commission had written a letter to the late Prime Minister on 31st May, 1965 to the effect that certain State policies had crossgrained the programme and the expected development of the programme has suffered a recession. The Khadi and Village Industries Commission's suggestion was stated to be under consideration of the Planning Commission.

1.19. In paras 13-14 of Chapter II of the Report of the Khadi Evaluation Committee, it has been stated:

"13. Only by revising the entire economic life of the village, in the words of Mahatma Gandhi, 'can our (Khadi) work become permanent. If we merely go on sending to Bombay the Khadi produced in the villages, the object can never be accomplished, however high a wage we may pay to the village spinners.' 'To-day', he stated, 'our main concern should be to lay the foundation for this (Khadi) work as deep as possible and not merely be satisfied with production of Khadi and sale of Khadi itself.' 'In case we do not do it', he very emphatically pointed out, 'we shall be betraying ourselves and the world'.

The need for a new approach, based upon fundamental changes in the whole economy as a necessary condition for fruitful Khadi work, could not have been more clearly or emphatically stated. Taking this point as the cardinal point, he again emphasised the need for (i) self-sufficiency; (ii) decentralisation of production and consumption; (iii) self-reliance; (iv) close personal contact of the workers with artisans and villagers and mutual confidence;

(v) cultivation of cotton in every village, (vi) production of Khadi without any subsidy from Government and its sale in local markets and to the people in the villages, (vii) Government assistance to be confined to education, technical research and technical guidance (viii) formation of cooperative societies as units of production and sales of Khadi and (ix) sale of Khadi outside the neighbourhood or State etc. in distant markets only in consultation with the Central Office'

120 Gandhiji also stated

"What I gave to the people was money but not the real substance—self reliance. I gave them money in the form of wages and assured them that it contained Swaraj. People took me at my word and believed me and continue to believe me. But I have now my own misgivings as to how far such Khadi can lead to Swaraj. I am afraid that Khadi has no future if we continue it as today.

"The task of making the Charkha, which for centuries had been a symbol of poverty, helplessness, injustice and forced labour, the symbol now of mighty non-violent strength of the new social order and of the new economy, has fallen on our shoulders. We have to change history. And I want to do it through you.

121 Attention was invited to what Gandhiji said in Khadi—Why and How—namely

Gandhiji's reply was that they should not ask for subsidy but ask the Government to help in supplying cotton, the necessary implements and the services of teachers and experts."

122 The Committee drew the attention of the witness to paragraph 14 page 9—Phase IV—1944—53 of the Report of the Khadi Evaluation Committee and desired to know as to how far the suggestions for a new approach based upon fundamental changes in the whole economy as a necessary condition for fruitful khadi work, referred to therein, were considered in adopting the pattern of financial help to different institutions. Explaining the broad policy the Chairman Khadi and Village Industries Commission stated that the Commission was governed by the legislation which had created that body. The legislation had cast on the Commission, the responsibility to develop khadi and village industries. It was admitted that

the Commission had not yet been able to prepare a programme for establishing "this non-violent, self-sufficient economy" but the witness thought that "the Commission had its own limitations in this respect and it has to confine itself to the object before it." The witness further added that no single Commission could be an adequate instrument for bringing about a revolutionary change in the social order that Gandhiji had conceived "While, he (Gandhiji) emphasised the self-reliance aspect, he did not deprecate the aspect of khadi serving as, to put it at the lowest, a relief measure". He added, "in my opinion the Khadi and Village Industries have to-day a potential of supplementing the economy of the rural areas". Explaining further, the Chairman, Khadi and Village Industries Commission stated that the Khadi and Village Industries had served two purposes. With all its faults and limitations there was one organisation in the country, which had some kind of roots in the villages. This organisation with the help of the Government had been able to create a leadership and in "twenty-five or thirty thousand villages it is doing some kind of intensive work." Secondly, with the help of Government, it has been possible for the organisation to give supplementary occupation to a little more than two million people. It has to be seen whether it was not "a significant contribution to the living incomes of that strata of society in which this work is being carried on, where in addition to Rs.100 or Rs. 120, the people get thirty, thirty-five, forty, forty-five or sixty or hundred rupees." Thirdly, there was a body for the Government to utilise at any time for "expanding the decentralised sector treating the Commission as the basis of rural industrialisation". Lastly, there was something in the country, which might not fulfil the yardstick of Mahatma Gandhi, but the potential was there.

1.23. He concluded by saying that "in actual practice as well as potentially this is the contribution of Parliament of the country to an area which is the most difficult area to begin with.... Today it may be very costly production, but the contribution of this organisation is Rs. 80 crores worth of goods every year."

1.24. In reply to a question, as regards achievement of the Commission on the basis of the capital employed and wages paid, the witness stated that if the conditions were ideal all over the country, then ideal results could be expected from the Commission. If the conditions were less than ideal "then to put the onus on the Commission alone would not be realistic" he added. The witness further stated that if the field condition assured Rs. 200 per annum, very few people would turn to Khadi industry. There must be some kind of balance between the demand in the other sectors and this sector.

The witness added that the social need for supplementary occupation is indisputable in my opinion"

125 The Committee desired to know if the same facilities were given to other sectors like handloom as were given to Khadi whether it would not create more and better employment The Chairman Khadi and Village Industries Commission stated 'Even when we introduced the ambar charkha the pressure on traditional charkhas has not ceased Even with the increase in the handlooms the pressure on the traditional charkha was still going on'

126 In the Industrial Policy Resolution 1956 the Government of India stressed the role of cottage and village and small-scale industries in the development of the national economy" It has also been stated therein that "The State has been following a policy of supporting cottage and village and small scale industries by restricting the volume of production in the large-scale sector, by differential taxation or by direct subsidies. While such measures will continue to be taken wherever necessary the aim of the State policy will be to ensure that the decentralised sector acquires sufficient vitality to be self supporting and its development is integrated with that of large scale industry" In the Third Five Year Plan it has been stated that one of the main objectives to be kept in view in implementing programmes for village and small industries in the Third Plan will be to reduce progressively the rate of subsidies sales rebate and sheltered markets" This position has been further clarified by stating In the field of Khadi it is hoped to bring about a gradual reduction of prices through technical improvements pooling of production cost and economy in transport and other distribution charges Rebates on sales of Khadi particularly of silk and woollen khadi will be reviewed with the object of replacing them as far as possible by suitable management grants As regards village industries also it is proposed that the present subsidies and/or rebates on sales in respect of their products should be replaced by gradually tapering management grants" It has further been stated 'The programme for khadi for the Third Plan will aim at gradual reduction of dependence on urban markets and correspondingly greater production for local use and improving the techniques of spinning and weaving so as to raise the output and earnings"

127 In the written note furnished to the Committee however it has been contended "In the strict commercial sense khadi has never been conceived to be a self supporting industry" The Committee feel in the circumstances that keeping in view that the total financial assistance given to the Khadi and Village Industries Commission

alone, by Government of India so far is Rs. 173 crores including a sum of Rs. 23.25 crores given to the Khadi and Village Industries Board before the Commission was set up) and the additional financial allocation sought during the Fourth Five Year Plan is of the order of Rs. 270 crores, there is much leeway to be made yet to bridge the gap between the aims, objects and programme with regard to khadi and village industries as envisaged in the Five Year Plans and the actual achievements made. The Khadi and Village Industries cannot be said to have acquired "sufficient vitality to be self-supporting" nor has it been possible "to reduce progressively the rate of subsidies, rebates and sheltered markets," (actually these have been increasing as seen from Appendix IA) nor the aim of "gradual reduction of dependence on urban markets and correspondingly greater production for local use" has been fully achieved.

1.28. The Commission was set up in 1957. It has functioned for almost a decade now. But the Committee have been informed in the written note that "steps are, however, being taken to create a situation favourable for the reduction in subsidy. These include reservation of spheres, adoption of improved technology in spinning, weaving and other ancillary processes of production." This is rather surprising in view of the fact that as long back as 1956 the Industrial Policy Resolution had laid down that "the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting".

The Committee therefore desire that the Planning Commission and the Government should have a fresh look at the entire question of Khadi and Village Industries so as to lay down clearly as to what would be the State Policy—whether it is to be made self-supporting in the foreseeable future or it is to continue to depend on financial assistance from Government on the massive scale as at present. The magnitude of the assistance envisaged can be gauged from the fact that while a sum of Rs. 183.33 crores have already been given to the Commission and the State Boards by the Central and State Governments, according to the Annual Report, 1964-65 of Khadi and Village Industries Commission, the financial allocation sought during the Fourth Five Year Plan is Rs. 269.81 crores (minus Rs. 67 crores already with the Commission).

The Committee feel that the apparent contradiction between the statement of the Commission that "in the strict commercial sense, Khadi has never been conceived to be a self-supporting industry," and views of Mahatma Gandhi, objectives laid down in Five Year Plans and the policy declaration made in the Industrial Policy Resolution, 1956 viz., "the aim of the State Policy will be to ensure



that the decentralised sector acquires sufficient vitality to be self-supporting needs to be taken note of and resolved by Government.

### C Employment Potential

129 The Committee have been informed in a written reply that employment in Khadi and Village Industries has increased from 13.78 lakhs persons in 1956-57 to 25.81 lakhs persons in 1963-64. Of these 25.81 lakhs persons employed as on 31st March 1964, 3.21 lakhs persons can be considered as only full time and 22.60 lakhs persons having work opportunities for more than 6 hours a day for about 200 days a year.

130 In reply to a question the Chairman Khadi and Village Industries Commission stated that the purpose of Khadi and Village Industries Programme was to give the people supplementary occupations. There were three parts of this programme. So far as Khadi spinning was concerned people did spinning in their spare hours in their own cottages and it was difficult to apply the regulation of 8 hours spinning. This was intended to supplement the income even during normal seasonal work. The second one was the seasonal programme like hand pounding of paddy, village oil, gur, khandasari etc. which last for 2-3 months in a year. During that period also when people were free they attended to Khadi spinning. The third part of the programme was to give 8 hours work during off season.

131 The Committee referred to the reply to question No 2(b) (Appendix II) furnished earlier and pointed out that the answer was not in consonance with the elucidation given above and that the definition of full timer and part timer required clarification. The representative of the Khadi and Village Industries Commission stated that it was difficult to define because sometimes a person might work according to his convenience. The Chairman, Khadi and Village Industries Commission stated that so far as traditional Charkhas were concerned, they were used by the people according to the convenience in their own household. In some places Ambar Charkhas were run in a common shed and in bulk of the places it was being run by people in their houses and according to their convenience. Gur and Khandasari was a seasonal work. The witness added that in my opinion, to bring this in line with the accepted terminology that is being used in the large-scale sector will only create a lot of confusion."

132 The Committee referred to the following definition contained in Chapter 8—para 23 of the Report of the Khadi Evaluation Committee—

"In terms of full employment i.e. 8 hours per day and 300 days in the year."

The Chairman, Khadi and Village Industries Commission stated that it was all right so far as the Committee's report was concerned but in actual practice, the conditions had to be borne in mind. All kinds of circumstances exist in this vast country.

1.33. In the opinion of the Committee while considering the employment opportunities created by the Khadi and Village Industries, it has to be borne in mind that a majority of the persons concerned have been given "supplementary occupations". Therefore, when it is stated that 22.60 lakhs persons are having work opportunities for more than 6 hours a day for about 200 days a year, the Committee would like to point out that with regard to "Employment" under Khadi (which covers 16.25 lakhs out of 22.60 lakhs persons) the Working Group in para 11.88 of their Report have observed as follows:—

"Some sample surveys undertaken by the Commission have shown that while a large proportion of weavers' families in rural areas is generally agricultural landless workers, a sizeable portion of spinners is from among small agricultural land owners and lower middle class such as teachers, clerks etc. We consider that all these have an important bearing on understanding the nature and content of employment in khadi. In short, spinning provides employment for about 2 to 4 hours in a day for about 100 to 150 days and weaving for 6 to 8 hours a day and for about 200 days a year."

The Committee feel that with the experience gained so far by the Commission, it should evolve suitable objective criteria for assessing the part-time/full-time/seasonal/continuous employment offered by the programmes of Khadi and Village Industries. Thereafter, the Commission should undertake periodical reviews of the actual employment potential generated and include the results of such reviews in its Annual Report.

#### D. Wages of Spinners & Weavers

1.34. With regard to revision of wages of spinners and weavers the Committee have been informed in a written note (Appendix XXV—A) that a 30 per cent rise in spinning wages on Traditional Charkha and 15 per cent in the case of spinning wages on Ambar Charkha over the earlier rates was made in February, 1965. Due to rise in the cost of living index, the rates were again reviewed in September, 1965 and an increase of 54 per cent over the February, 1965 wages was given in the case of traditional charkha only from 2nd October, 1965.

135 With regard to weaving wages also proposals are stated to have been submitted to Government for allowing the Commission to raise the standard wages for plain weaving

136 The Committee appreciate the efforts being made by the Commission to increase the wages of the spinners and weavers. They would suggest that in view of the constant rise in the cost of living, a periodical review of the position should continue to be made so that the spinners and weavers, who are the basic workers, are given the proper wages.

137 Another significant point to note is that during the year 1964-65 the amount of grant and subsidy given by the Government of India to the Khadi and Village Industries Commission was Rs. 11.34 crores\* for Khadi and production of Khadi was Rs. 22.73 crores,\*\* whereas the grant and subsidy for Village Industries was Rs. 1.96 crores\* against production figure of Rs. 48.06 crores\*\* (as claimed by the Commission). This disproportionate element of grant/subsidy given to two sections of Khadi & Village Industries needs a careful examination. The Committee suggest that the amount of grants/subsidies to be given to these two sections should be suitably prescribed by Government while releasing grants and loans to Commission by relating it to actual production.

138 Another interesting point to note is that the employment generated† by Khadi programme during 1964-65 is Rs. 16.79 lakhs (part time) and Rs. 2.35 lakhs (full time) making a total of Rs. 19.14 lakhs, and the wages paid to them were Rs. 13.62 crores. The value of Khadi produced was Rs. 22.73 crores. The corresponding figures for village industries were

	Rs.
Employment full time	4.60 lakhs.
part-time	1.62 lakhs
Total	Rs. 6.22 lakhs.

Wages paid were Rs. 10.30 crores, and the production was Rs. 48.06 crores. This indicates that the productivity in the village industries is much more than that in the case of Khadi.

\*Appendix IA.

\*\*Appendix XXVI

†Appendix XXVII

## ADMINISTRATIVE EXPENSES

Para I (ii) of Audit Report.

The administrative expenses during 1963-64 were Rs. 1.57 crores as against Rs. 1.47 crores during 1962-63. The disbursements to institutions, etc. (including the Commission's own trading units) during the year amounted to Rs. 27.25 crores as against Rs. 31.44 crores in the previous year.

2.2. The Commission at its meetings held on 23rd and 24th March, 1964 constituted the Administrative Improvements Committee. The terms of reference of the Committee were:

- (1) "To study the administrative machinery at the headquarters of the Commission and the various State offices and Units etc., of the Commission with a view to suggesting measures for efficiency;
- (2) To examine and suggest the scope for introducing economy in the working of the Commission with particular reference to the administrative machinery;
- (3) To suggest measures for streamlining the work of the Commission with a view to promote economy and efficiency and speedy implementation of the programmes of the Commission."

The Committee submitted its report on 30th June, 1965.

2.3. The Commission, according to the Report of the Administrative Improvements Committee, has 15 Deptts. and 13 Industry Directorates. The Commission have also set up State Directorates in all the States. The total number of staff under the Commission at the end of March, 1964 was 5231. In addition there are State Boards in 15 States, a small part of whose establishment charges are also borne by the Commission.

2.4. In addition to the Standing Finance Committees (one for Khadi and one for Village Industries) there are a number of other Committees constituted by the Commission for the formulation of policies and for the execution of schemes. There were as many as 69 Committees which involved considerable amount of expenditure as well as administrative work to the Commission. Some of the Committees have in turn constituted Sub-Committees.

25 The Administrative Expenditure of the Commission during the period 1958-59 to 1963-64 against disbursements (excluding Commission's investment in Trading Operation) is as follows

Year	(Rs in crores)	
	Administrative Disbursements Expenditure	
1957-58	0 66	
1958-59	2 93	18 48
1959-60	1 06	19 24
1960-61	1 13	20 98
1961-62	1 32	25 29
1962-63	1 47	27 55
1963-64	1 57	23 79
1964-65	1 86	27 46

26 The Committee pointed out that the Administrative expenditure was Rs 66.22 lakhs in 1957-58 and in 1964-65 it was Rs. 185.82 lakhs—almost three times and enquired whether the production or employment had also increased three times. The witness stated that the scales of pay under the Commission had moved in the upward direction compared to the scales of pay when it was a Board. Cost of living had been going up and there had been revision of D.A. from time to time. He further added that there was some increase in production but the proportion was not three times. It could not be related to Administrative costs. The Chairman, Khadi and Village Industries Commission stated that the Administrative expenditure was a general term and included all the directorates some of which were technical.

27 The Committee desired to know whether the recommendations contained in the Report of the Administrative Improvements Committee had been implemented and if so, to what extent. The representative of the Khadi and Village Industries Commission informed the Committee that the various recommendations of the Administrative Improvements Committee had been classified under three broad groups namely (i) economy (ii) procedures and (iii) efficiency. Recommendations of the Committee affecting economy were taken up first for implementation and as a first step nearly 330 posts were to be abolished which would have a potential saving of about Rs 10 lakhs. The question of the Directors of Industries and their staff had yet to be examined in the light of the recommendations of the Administrative Improvements Committee. After that

was finalised, the Commission would have an idea of the possible savings.

In reply to a question, the witness stated that when the Administrative Improvements Committee started the work, the Commission took a precautionary measure of not filling certain number of posts. Recruitment to the ministerial posts was banned. 160 posts which were lying vacant were to be straightaway abolished. Nearly 200 posts which were in actual existence and where people were in position had been declared surplus. Those persons would be utilised in the expansion programme.

2.8. The Committee enquired as to the extent of saving expected during 1965-66 as a result of economy measures. The Chairman, Khadi and Village Industries Commission stated that he did not expect much savings relating to the posts that had not been filled up.

2.9. In reply to a question as to the economy effected by the retrenchment of some extra staff, the Chairman, K.V.I.C; stated that the services of only 20 persons were terminated.

2.10. In reply to a question, whether the Directorate of Export Promotion had been closed as recommended by the Administrative Improvements Committee, the Chief Executive Officer, K.V.I.C. replied in the affirmative.

2.11. At the instance of the Committee notes and statements on the following points have been furnished:—(Appendices XXVIII and XXIX).

(a) What was the sanctioned strength and actual strength of Class IV Staff under the Commission as on 31st March, 1964 and on 31st March, 1965? How many are proposed to be retrenched?

(b) It has been stated that no provision is made in the budget for posts which were lying vacant.

How many posts were created, when they were created and since when they were lying vacant.

2.12. The Committee note from the statements that with regard to the Class IV Staff under the Commission, while on 31st March, 1964 the sanctioned strength was 547, the actual strength as on 31st March, 1965 was 593. Similarly, from the other statement it appears that 222 posts in various categories were created after the appointment of the Administrative Improvements Committee on 24th March,

1964. The Committee are unable to understand the reasons for creating so many posts after the appointment of the Administrative Improvements Committee, one of whose functions was to examine and suggest the scope for introducing economy in the working of the Commission with particular reference to the administrative machinery. On the face of these facts the Committee are unable to understand what precautionary measure of not filling certain number of posts and putting a ban on the recruitment to the ministerial posts was taken by the Commission as stated in evidence. The Committee would like this position to be clarified.

2.13 The Chairman, Khadi and Village Industries Commission stated that the Administrative Improvements Committee had scrutinised the necessity for Class IV staff and had made recommendations for reduction in that category. The Committee trust that the recommendation will be implemented early.

2.14 When the Committee referred to the observations made by the Administrative Improvements Committee in para 10.7 and 10.9 of their Report about inadequately trained staff, excess staff and duplication in staff, the Chairman, K.V.I.C. stated that by and large the recommendation was being accepted.

2.15 The Administrative Improvements Committee have, however, suggested the following economy in expenditure.—

Sl No	Particulars of the Departments	Immediate economy	Subsequent economy	Total economy
		Rs.	Rs.	Rs.
1	Programme Directorates/Departments	23,20,450.20	5,58,743 60	28,79,203 80
2	Industry Directorates	3,62,993.20	4,66,361.60	8,29,354 80
3	State Offices of the Commission	2,77,744.00	4,992 00	2,52,736 00
	TOTAL	29,31,197.40	10,30,097.20	39,61,294.60

In regard to the scope for immediate economy of Rs. 29,31,197.40 suggested by the Administrative Improvements Committee at page 281, para 3 of their Report, the Chairman, Khadi and Village Indus-

tries Commission admitted that "there is no doubt in my mind that there is room for economy in this institution." He further stated that the implementation of the recommendation was proceeding 'satisfactorily'. The first stage had been covered and the Commission had sorted out what could be immediately cut down. There would be a minimum saving of Rs. 20 lakhs as a result of the economy. In the first stage, in about six months' period, there would be a saving of Rs. 10 lakhs. In the second stage, the Commission would work out details to find out the surplus staff and the third stage would be to go into the other recommendations. He added "I have no doubt in my mind that we shall approximately reach the figure suggested by the Committee."

2.16. The witness stated further that time had to be given to the officers to consider the proposals in the Report and even one to one and a half year's period could not be considered unreasonable for following up the recommendations.

2.17. The Administrative Improvements Committee in their concluding remarks (page 281 of their Report) have stated that "the scope for immediate economy in expenditure would be about Rs. 29,31,197-40. The scope of subsequent economy is roughly estimated at Rs. 10,30,097-20. We, therefore, feel that the total economy in expenditure ultimately would be approximately Rs. 39,61,294-60, if most of our recommendations and suggestions are implemented. Actually, figures for the total economy may be much larger, because the saving on account of reduction of posts has been calculated on the minimum pay of the time scale of the post and not on the total emoluments of the incumbents concerned. Similarly we have not included in these calculations the extent of economy in expenditure due to the closure of all the State Offices of the Commission, because it was not possible for us to recommend any time limit for this purpose nor was it possible to foresee the actual procedure which would be adopted while winding up these offices."

2.18 From the report of the Administrative Improvements Committee and the evidence given before this Committee, it is clear that there is scope for substantial economy of about Rs. 40 lakhs per year under administrative expenses alone. This indicates the need for closer supervision and tighter administration.

2.19. The Committee are glad to be told in evidence that the Commission shall approximately reach the figures suggested by the Administrative Improvements Committees. While the Committee appreciate that the proposals made in the Report of that Committee have to be considered, they, however, feel that since the Committee itself has divided the economy into two parts, immediate and sub-



sequent it is hoped that the Commission would implement the recommendation concerning the immediate economy immediately

220 The Committee desired to be furnished with a statement showing year wise the amounts paid to different State Boards by the Khadi and Village Industries Commission for establishment expenditure including the amounts paid by the State Governments to State Boards year wise for the same purpose. Note furnished is at Appendix XXX.

221. The Committee are surprised to find that while the various State Governments have given Establishment Grants amounting to more than five crores of rupees to the State Boards concerned during 1953-54 to 1964-65 the Khadi & Village Industries Commission have also given establishment grant totalling Rs. 29.80 lakhs to the various State Boards from 1953-54 to 1964-65.

The Committee fail to understand the reasons for giving establishment grants to State Boards by the Commission also, as the Commission are themselves maintaining "a Branch Office in each State manned by a Director with adequate ministerial and technical staff." The Committee are of the view that the arrangement and understanding that establishment charges of the State Boards shall be met by the State concerned should be adhered to strictly.

222. The Committee also desire that the Commission should appoint a Committee similar to Administrative Improvements Committee for examining the administrative set up of the State Boards with a view to effecting economy and efficiency.

223 Referring to the reply given to a question (Appendix V) the Committee desired to be supplied with the names of the 70 Committees under the Commission and the date since when each Committee was functioning. The Secretary Commerce stated that out of the 70 Committees 54 had since been abolished and the reply gave information about the remaining 16 Committees which were functioning. The representative of Deptt. of Social Welfare added that they had succeeded in effecting economy in expenditure by reducing the number of the Committees to 16 in 1965 as a result of the Finance Ministry circular.

224. The Committee enquired as to the total amount spent on these Committees during the last 5 years the Chairman Khadi & Village Industries Commission stated that it was difficult to give this information because they would have to look into financial accounts and TA/DA particulars of the Members of the Commission who were also members of All India Board.

2.25. The Committee find from the details of 69 Committees (Appendix V) that although many of the Committees were appointed in 1957 onwards, it was only recently that 53 Committees were abolished. It is really surprising that money was being spent on so many Committees which apparently did not have any important function to perform. The Committee would like the Commission of their own accord to be alive to the need for economy in administration.

2.26. The Committee referred to reply to Question No. 5(b) (v) (Appendix V) relating to State offices of the Commission and pointed out that in Assam while the expenditure was Rs. 11,943 in 1961-62 with 9 persons employed, in 1963-64 with 21 persons employed the expenditure was Rs. 51,733, i.e., more than four times. In West Bengal while expenditure was Rs. 1,32,003 in 1961-62 with 41 persons employed, in 1963-64 with 43 persons employed, the expenditure was Rs. 1,78,800. They, therefore, desired to be furnished with a note explaining why the relation between increase and decrease in staff in the various State Boards and increase or decrease in expenditure on them was not uniform in all the cases, and a breakdown of the expenditure to illustrate the reasons. The note has been furnished and is at Appendix XXXI.

2.27. It has been stated in the note that the reasons for variations in expenditure have been urgently called from the State Offices and will be furnished on receipt. It, therefore, appears that there is no system under which the Commission scrutinises the variations in items of expenditure incurred by their State Offices even when there are obvious inconsistencies.

2.28. The Committee would also like to point out that the Working Group on Khadi and Village Industries in para. 3.35 of their Report have observed:—"We have noticed considerable over-lapping and duplication between the staff of the State offices of the Commission and of the State Boards in respect of village industries programmes. Both the Commission as well as the State Boards have technical and supervisory staff." The Administrative Improvements Committee have also observed in page 24 of their Report that "we found that in some of the State offices, persons holding technical posts such as Technical Assistant-II (Cotton), Technical Assistant-II (Texture Improvements) are utilised purely for ministerial work, which could be attended to by LDCs or UDCs. It is obvious that these technical posts are not required."

The Committee trust that the Commission will without further delay give due consideration to these observations and recommend-

ations and take effective steps to put matters right and avoid such overlapping duplication and improper utilisation of staff in future

2.29 In reply to Question No 5(b)(ii) (Appendix V) the Committee have been informed *inter alia* that orders have been issued which would ensure reduction of expenditure on T.A. & Contingencies. The Committee enquired what orders had been issued by the Commission regarding reduction of expenditure on T.A. and contingencies. The Chief Executive Officer KVIC stated that in T.A. the element called incidentals which was paid at a certain rate had been cut down by one third. Only two thirds of the current rates were being allowed.

2.30 The Committee desired to be furnished with a statement showing how this cut was imposed and whether the relevant rules/orders were amended before it was done. A note has been furnished (Appendix XXXII).

2.31 It has been stated in the note that the Travelling Allowances of the employees of the Commission are regulated according to the provisions of the regulation No 7 of the Khadi and Village Industries Commission Regulations 1958. A separate set of rules for Travelling Allowances for the Commission's employees is stated to be under finalisation in consultation with the Government of India. It has been further stated that with a view to effecting economy in travelling expenses and bearing in mind the national emergency the Commission decided on 27.9.1965 to reduce the incidental charges while on tour by 1/2rd of what is ordinarily admissible to all categories of staff except class IV employees with effect from the 1st October 1965. The Commission is proposing to Government that the Regulation may be amended with retrospective effect if possible.

2.32 Since the regulation of the rates for travelling and daily allowances is with the prior approval of Government the cut imposed in the rates should also have been approved by Government.

## ACCOUNTS AND AUDIT

The accounts of the Commission are audited by the Accountant General concerned under the Comptroller and Auditor General of India. The Accounts of the State Boards are audited by the State Accountants General. The accounts of the registered institutions, which obtain assistance from the Commission for implementing Khadi and Village Industries programmes, are audited by the chartered accountants appointed by them. The accounts of the cooperative societies, which obtain financial assistance either from the State Board or from the Commission, are audited by the respective State Registrars of cooperative societies.

3.2. As already pointed out the question of maintenance of consolidated profit and loss accounts by the Commission was examined by the Committee in 1964-65. The representative of the KVI Commission had admitted that "they had separate accounts for Khadi and Village Industries Sections but not in the form of a consolidated Profit and Loss Account and balance sheet." He had agreed however that they would devise a form in consultation with the C.&A.G. for consolidated profit and loss Account and Balance Sheet.

3.3 With regard to the inordinate delay in bringing into being the arrangements for the appointment of Chartered Accountants to audit the Accounts of institutions, the Working Group on Khadi and Village Industries had desired that the Commission should implement them expeditiously. The Commission have accepted the recommendations and have initiated action.

3.4. As regards the Co-operative Societies assisted by the Commission and the State Boards, the Working Group have observed;

"The audit of the accounts of cooperative societies assisted by the Commission and the State Boards presents an even more dismal picture than that of the State Boards or of the registered institutions. In almost all the States, the audit of the accounts of these societies is heavily in arrears. In some cases, the audit is in arrears for as long as three or four years. It is the statutory responsibility of the cooperative department of a State

to conduct the audit of the accounts of the cooperative societies but we regret to find that this function has not been satisfactorily performed. We are of the view that if this state of affairs is allowed to continue the position is likely to deteriorate still further and result in not only worsening the position of defaults, which is already alarming, but also affect considerably the morale of the cooperative movement.

In this case also action is stated to have already been taken up by the Commission.

35 The Committee need hardly point out that the state of affairs disclosed regarding auditing of accounts is rather disturbing and requires immediate remedial measures.

36 In the course of the examination of the Audit Report the Committee pointed out that the Statement of Accounts for the year 1953-54 and also for the previous years placed before Parliament along with the Audit Report did not contain all the Annexures referred to therein.

37 The Committee desire that in future the Accounts of the Khadi and Village Industries Commission placed before Parliament should contain all the Annexures referred to in the Statement of Accounts and the documents should be complete in all respects and in proper form with a proper cover. Nor should the documents be in mutilated form with pasting etc. as was the case during the last two years.

38 Since the State Khadi & Village Industries Boards have been set up under the respective State Acts they are primarily accountable to the State legislatures through the State P.A.C. The Committee therefore did not consider it necessary or appropriate to undertake a detailed examination of the Accounts of the State Boards.

39 The Committee would, however, like to point out that since the Khadi and Village Industries Commission gives large sums of money to State Boards, as grants and loans it becomes the responsibility of the Commission to see that those sums are properly utilised for the purposes for which they are given.

310 The Committee had obtained from Audit, extracts from the various Audit Reports relating to the State Boards to serve as illustrations of the way the State Boards were functioning. These are appended to this Report (Appendix XXXIII).

3.11. The Public Accounts Committee had an occasion to examine the Audit Reports 1964 and 1965 relating to the Government of Kerala recently. The extracts from the 47th Report of the Committee on the accounts of Kerala State Khadi and Village Industries Board pertaining to those Audit Reports are also appended (Appendix XXXIV).

3.12. Referring to the Audit Report of the Kerala State Board for 1965 the Committee enquired about the position as regards payees' acknowledgments not made available and challans in support of remittances not produced for scrutiny. The Chairman, K.V.I.C. stated that audit had been completed upto March, 1964. The accounts of the Kerala State Board which were in arrears had since been made out from 27-6-1963. The unspent balances to the tune of Rs. 5.48 lakhs out of the funds given by the Commission upto 1962-63 had been returned. The loan accounts between the Commission and the Kerala State Board upto 31-3-1964 had been confirmed.

3.13. In the course of evidence, the Committee elicited information relating to some of the Audit paras concerning some of the State Boards.

3.14. In a written reply to a question the Committee have been informed that in recent years the procedure of conducting the study of the working of the various State Boards had also been undertaken. This study was stated to be in the nature of Administrative-cum-Accounts inspection and is conducted under supervision of senior officers of the Commission.

3.15. On being asked about the inquiries conducted by the Study Teams in regard to the working of the State Boards, the witness stated that (as mentioned in reply to Q. No. 1 as furnished to the Committee) the State Boards of Andhra and Mysore had been examined. So far as Mysore was concerned, as a result of discussions, the Mysore State Board had closed down all the direct trading units which were functioning at a loss. Steps had also been taken in the direction of retrenching some personnel. Accounts had also been brought upto date. The Commission had held discussions with Andhra Government and their State Board but much progress had not yet been made. The Commission had also recently discussed the matter with the Government of West Bengal and it was hoped that steps would be taken by the West Bengal Government to implement the suggestion.

3.16. On being asked whether any steps were taken to stop giving of grants to the State Board of Mysore immediately after the irregularities came to Commission's notice, the witness stated that:

every State Board had numerous institutions under it Stopping of grants and loans would imply punishment not only to the State Boards but also to the institutions (both good and bad institutions) under it.) 'Such a drastic step is very difficult in the case of such bodies', he added

3 17 The Committee referred to the observations of Mysore PAC made in para 64 page 67 of their Report on the Accounts of Government of Mysore for 1961-62 on the affairs of the State Khadi Board and desired to know what action was taken in such cases The Chairman Khadi and Village Industries Commission stated that in the case of Mysore the accounts had been brought upto-date and got audited and the trading centres which had been running at a loss had been closed down. The witness added that if a serious irregularity came to the notice of the Commission, the first step that was taken was to send a party to look into the administrative and financial aspect of the Board. Then the matter was discussed with the State Board. If the Commission was not satisfied, then the intervention of State Government was sought in the matter The witness added that the hope was that with the assistance of the State Government, it should be possible to rectify the defects though there was no statutory authority for the purpose

3 18 The Committee then desired to know the stage at which the financial help was curtailed. The witness stated "there is no precedent where we have stopped the financial help All that we have done so far is to bring about internal pressures for rectifying the situation."

3 19 The Committee drew the attention of the witness (i) to the affairs of the State Board of Rajasthan discussed in the Rajasthan Assembly as far back as 1961 and (ii) to the decision of the court which had held that mill yarn was mixed in the Khadi produced by the Gram Sewak Mandal Karoh, and desired to know the action taken against the State Board. The Chairman, Khadi and Village Industries Commission stated that the Commission had looked into the functioning of the State Board of Rajasthan and was taking up the matter with the State Board and if they were not satisfied, then the matter would be discussed with the State Government In regard to the Karoh case, the witness stated that the matter was referred to the Certification Committee who had looked into the matter and had withdrawn the certification. The Financial Adviser, Khadi and Village Industries Commission informed the Committee that the mixing of khadi yarn with mill yarn was not so much of an audit point. The Commission had a Certification Committee which went

into all these problems. It was in the nature of a check on the activities of the institutions in order to maintain the purity of Khadi.

3.20. The Committee referred to the Audit Report, 1964 relating to Rajasthan Khadi and Village Industries Board and pointed out that the State Board of Rajasthan was constituted in 1955 by an Act of the Legislature but no action had so far been taken to frame the rules under the provisions of the Act. The Chairman, Khadi and Village Industries Commission stated that he was discussing the matter with the Chief Minister of Rajasthan and the State Government were thinking of revising the Act itself very soon.

3.21. In regard to the affairs of the State Board of West Bengal, the Chairman, Khadi and Village Industries Commission informed the Committee that the Chairman of the State Board of West Bengal had initiated some proceedings with a view to following up certain matters which had come to his notice and he was trying his best and vigorously pursuing to set the affairs of the State Board in order.

3.22. The Committee pointed out that the Gujarat State Board which was stated to be the best Board had not submitted utilisation certificates for Rs. 169 lakhs upto 1965. The Chairman, K.V.I.C. stated that with the introduction of the institution of Financial Adviser and C.A.O., the position would improve. The Financial Adviser, K.V.I.C. stated that Financial Adviser and C.A.O. had been provided with internal audit staff also.

3.23. The Committee referred to the Audit Report 1964 (Gujarat)—Gujarat Rajya Khadi Gramodyog Board in which it has been stated that a sum of Rs. 49,361 (out of a grant of Rs. 1.73 lakhs) being unspent amount of assistance received by a Vidyalaya in Ahmedabad (which closed down in 1961) has not been refunded to the Commission so far (October, 1963) and desired to be furnished with a note stating how much money out of Rs. 1.73 lakhs was actually spent and how much refunded. Note furnished by the Commission is at Appendix XXXV.

3.24. The Committee enquired whether the Gujarat State Board had finalised the rules for maintaining accounts as required under the Bombay Khadi and Village Industries Act, 1960. The F.A. replied in the negative and stated that the State Board had been reminded again, but the accounts maintained by them were quite satisfactory. The Chairman K.V.I.C. added "so far as Gujarat State Board is concerned, comparatively speaking, to all intents and purposes it is following these things energetically."



3.25 Referring to the amounts given to the MP State Board in the year 1958-59, 1960-61, 1961-62 and the amounts spent by it, the Committee pointed out that there appeared to be no relation between the sanction and the utilisation. The F.A., KVIC stated that it would be true of the earlier years but it was hoped that within a couple of years it would be possible for the Commission to reach a stage where its budget allotments would accord with the actual expenditure. He added that under the revised system of 1964-65 this irregularity would not be there because the State Boards would not be having more funds than were required.

3.26 The Committee referred to the large number of ambar charkhas which remained unserviceable and unsold till September, 1964 as mentioned in the Audit Report 1965 relating to Madhya Pradesh. The Member Secretary KVIC stated that recently discussions had been held with Madhya Pradesh and it was expected that things would improve.

3.27 The Committee then drew attention to the following case pertaining to the State Board of MP. Some institutions in Madhya Pradesh were transferred to the State Board from the Industries Department. The number of centres so transferred was 34. This was done in July 1963. The Centres were taken by the Board only in November 1963. A review of the working of the centres conducted by the Board in September 1964 i.e. 10 months thereafter—indicated that only 4 out of the 34 centres were fit to be continued, the remaining 30 centres were 'defunct' even before the transfer. These centres have not yet commenced functioning. Unproductive expenditure at the rate of about Rs 7000 per mensem is being incurred on the maintenance of staff of these 30 centres. The decision regarding the future course of action has not so far been taken.

3.28 The Member-Secretary KVIC stated that that was the position in 1964-65. He further added that in 1965-66 the Commission had taken some decision and the State Boards were acting upon it. The Chairman KVIC added that the difficulty was that closing down the centres would mean displacing the artisans and causing hardship to them if alternative arrangements were not made for them.

3.29 When the Committee pointed out that the State Board should have surely asked the State Government why they should take over the defunct institutions and then go on spending money on them. The representative of the KVIC admitted that 'it is correct'.

3.30. As the Audit Reports with regard to the various State Boards are examined by the concerned Public Accounts Committees in the States, this Committee do not wish to make any observations thereon. But the Committee cannot but show their concern at the state of affairs revealed by the various Audit Reports on the State Boards in view of the fact that the Commission is functioning to a large extent through the State Boards and disburse large amounts to them. It is clear, however, from the various Audit paras appended to this Report that the working of the State Boards leave much to be desired. This has become apparent during the course of examination of the Accounts of the Commission for the year 1963-64.

The Committee would, however, like to quote from the Reports of two State Public Accounts Committees at random:—

- (a) "About the affairs of the Khadi Board, the less said, the better as enough has been said already. The affairs of the Board have become the target of criticism and it remains to be seen when it will be set right. The irregularities such as non-maintenance of accounts, non-accountal of cash balance and cases of misappropriation are of a serious nature and it appears no attention has been paid by the Board to improve matters."

[Page 67, para 64, Report of the Committee on Public Accounts on the Appropriation and Finance Accounts of the Government of Mysore for 1961-62 and the Audit Report, 1963—(March, 1965)].

- (b) "A perusal of the statement furnished by the Board regarding utilisation of assistance by 57 societies revealed that:—
- (i) There was no proper verification by the Co-operative Department at the time of granting assistance by the Board about the capacity and prospect of a society to be able to utilise the amount properly. Otherwise, it could not be that 13 societies which had received assistance had not started any work at all.
  - (ii) There was abnormal delay in verifying proper utilisation of the assistance to the societies.
  - (iii) In a large number of cases, societies were brought under liquidation after they had received the financial assistance either because they had stopped working or they were being mismanaged or the funds of the societies were misutilised and/or misappropriated by the members.....

(iv) Some of the cases of misappropriation reported to the police had been under investigation by the police for the last two or three years."

(Page 77 Twenty-third Report of Punjab Public Accounts Committee 1965-66—March 1966)

The Khadi and Village Industries Commission is the subject observed adversely about the functioning of the State Boards as recorded in para 31 of her Annual Report (1964-65) —

Since the State Boards were established by the State Governments the Commission in the initial stages left it to the State Governments to see that they functioned efficiently. As the years rolled by the difficulties began to come to the surface. The difficulties embraced practically every aspect of administration finance technical know-how and execution of programmes."

The Working group on Khadi and Village Industries have also observed in para 314 of their report that —

From what we have been able to see we must say that the working of some of the State Boards is not at all satisfactory

3.31 In the opinion of the Committee it is necessary to put men who are devoted and sincere and at the same time capable of drive and initiative and in a position to run the organisations smoothly and efficiently at the helm of affairs of the State Boards to set matters right

In this connection the Committee would like to quote from a letter dated the 21st December 1953 from late Prime Minister Shri Jawaharlal Nehru to the Chief Ministers of all States which bears repetition —

"The Commission and the All India Khadi & Village Industries Board are composed of men and women who have abiding interest in the Khadi & Village Industries Programmes and/or have been constructive workers. Besides, in the composition of the Commission and the All India Khadi & Village Industries Board the Government of India consults the Chairman of the Commission and the Sarva Seva Sangh. I believe that if the State Khadi & Village Industries Boards are also composed of men animated by the

same motives and having similar experience and aptitude they will be able to render better service to the artisans engaged in the Khadi & Village Industries Programmes."

3.32. The Committee enquired whether the Commission insisted on getting audited or unaudited accounts from the State Boards before assistance was given to them. The FA stated that from 1964-65 they had started the system of asking the State Boards to furnish their accounts before their programme for any particular year was accepted and budget allotment finalised.

3.33. The Committee enquired whether from 1965-66 the Commission would not disburse the amounts to the State Boards unless audited accounts were obtained from them. The F.A., K.V.I.C. stated that audited accounts would be very difficult to get because none of the State Boards which had completed their accounts had got them audited by AG. It might take sometime. But the Commission was satisfied that the accounts were generally being prepared and kept ready for audit.

3.34. In reply to a question whether copies of State Board accounts were received by the Commission before it gave any assistance, that FA stated that it was not so in all cases, because in one or two State Boards the accounts were still not being maintained upto-date.

3.35. The Committee would impress upon the Commission the desirability of asking the State Boards to furnish audited accounts regularly and in time. They trust that the backlog in this respect would be cleared at an early date and from the year 1965-66 the accounts would be kept upto-date. A time limit should be set for completing these past accounts. For future accounts also a date must be stipulated by which the accounts must be submitted to the Commission.

3.36. The Committee pointed out that the Audit Reports of various State Governments showed that they had not framed rules necessary under the Acts for the purpose of preparing accounts. The Chairman, KVIC admitted that it was so and stated that States were being persuaded to pass legislation on the model of the Commission Act, so that there might be uniformity as regards rules, regulations and forms etc. He added that the position regarding financial control would improve after some time.

3.37. The C & A.G. explained that "State Boards started without either proper accounting system or proper accounting staff." He added that when State Audit Reports started coming and "showing

the kind of mess they were getting into the Chairman of the KVIC and the C & A.G held discussions The Comptroller and Auditor General agreed to depute his officers to serve as F.A. and C.A.Os of State Boards who were now trying to bring up the accounts upto-date They have to correct the accounting system also and the position was improving

338 The Committee regret to learn that even the rules were not framed as required under the State Acts for the purpose of preparing accounts in the case of several State Boards though several years have passed since the enactment of State Acts and that their accounts were in "a kind of mess" The Committee would like to be informed whether all the State Governments concerned have since framed rules under the relevant Acts for the purpose of preparing accounts of the State Boards and whether any uniformity has been achieved in this matter They would also like to know how far the position

as regards accounting has improved with the introduction of the system of F.A. and C.A.O.s in State Boards and whether the accounts are now maintained upto-date in all the State Boards The Committee desire that the Commission should insist upon proper maintenance and submission of Accounts as a condition precedent to release of funds

339 The Committee desired to know if it would not be desirable to send the internal audit parties to visit the actual place of work so as to satisfy that the money given was being utilised in the proper way The Financial Adviser stated That is exactly what is visualised The Chairman Khadi & Village Industries added that they were now instituting a system with the approval of the Auditor General of having Chartered Accountants charged with the responsibility of not only examining the accounts but actual fulfilment of the programme in respect of audit of institutions getting assistance from the Commission

340 The Committee are glad to know that the Commission were instituting a system of examining not only the accounts but actual fulfilment of the programme In their opinion this sort of achievement audit is very necessary in the case of the programme undertaken by the Commission The Committee suggest that the Annual Report of the Commission should indicate the results achieved in this direction

## IV

### LOANS TO INSTITUTIONS, CO-OPERATIVE SOCIETIES AND STATE BOARDS

#### *Para III of Audit Report*

(a) The total amount of loans advanced by the Commission to registered institutions/Co-operative Societies and State Boards and outstanding on the 31st March, 1964 was Rs. 50.89 crores. An amount of Rs. 8.26 crores had fallen due for repayment by the loanees as on 31st March, 1964. The details are given in Appendix XXXVI.

4.2. Confirmation of balances as on 31st March, 1964 was awaited (May, 1965) in respect of a total of Rs. 13.40 crores from the loanee State Boards, registered institutions and co-operatives societies. Of the institutions/societies from which the confirmation was due, those which were either not functioning (May, 1965) or had failed to furnish confirmation during the three years ending with 31st March, 1963, numbered 177 and the amount of loans outstanding against them was Rs. 27.31 lakhs. The cases are stated to be under examination with a view to taking legal action, wherever necessary.

*Delay in obtaining refund of unutilised balances of grants and loans—  
Para IV of Audit Report.*

4.3. *State Boards.*—Receipts of utilisation certificates/refund of unspent balances is due from the State Boards in respect of loans and advances disbursed by the Commission to the extent shown below:—

		(Position as at the end of Ap- ril, 1965)
Year		Amount (In lakhs of rupees)
upto 1960-61	. . . . .	439.74
1961-62	. . . . .	320.43
1962-63	. . . . .	795.05
		<hr/> 1,555.22

4.4 Institutions/Societies—in respect of the following amounts which remained unutilised after the expiry of one year from the date of disbursement neither the utilisation certificates nor the refund of the unspent balance of the loan and grants advanced by the Commission have been obtained so far (March 1963)

Year	No of institutions societies			Amount involved		
	Defunct	Existing	Total	Loan	Grants	Total
(In lakhs of rupees)						
1957-58	7	6	13	0 3	2 44	2 79
1958-59	13	4	17	0 10	1 62	1 72
1959-60	22	16	38	0 34	7 70	8 04
1960-61	10	21	31	2 28	5 09	7 37
1961-62	4	51	55	5 16	10 32	15 48

4.5 Out of a total amount of Rs 16.45 crores disbursed during the year 1962-63 utilisation certificates are awaited (as at the end of April 1963) in respect of loans and grants amounting to Rs 8.79 crores. The delay in furnishing the utilisation certificates is due to arrears in the internal audit which is stated to have been taken in hand very recently.

#### A Defunct Institutions

4.6 The Committee referred to the reply to Question No 10(i) (Appendix X) and desired to know whether the Commission had enquired into the affairs of the 18 defunct institutions and the amount due from them and whether the Commission had the means to find out why they had become defunct. The Financial Adviser of the Commission stated that a Senior Officer of the Commission went into the aspect of recovery from the institutions especially the defunct institutions. The Internal Auditor had been going to these societies and the circumstances under which some of them became defunct would be known to the Commission. He added that their new system visualised payment of any advance to any institution or society on the basis of expenditure statement, so the total amount of grant or loan would be released only after the expenditure statement was

furnished. Certain performance reports were also being introduced which the institutions/societies would be required to furnish. If these were not received the Commission would write to the State Directorate.

4.7. The Committee has been furnished with a statement showing the societies/institutions which received assistance from the Commission and have not confirmed the loan balances as on 31st March, 1964 but ceased functioning before March, 1965 at their instance (Appendix XXXVII). Similar information in respect of the societies/institutions which received assistance from the State Boards has been called for.

4.8. The Committee note from the statement that 16 institutions were treated as defunct during the period 1959-60 to 1963-64 on Khadi side. On the Village Industries side 57 institutions/societies were treated as defunct during the period 1959-60 to 1964-65. The Committee feel disturbed over the position of so many defunct institutions/societies from whom loan instalments are due or are to be confirmed. The Committee fail to understand why the inspections did not reveal the financial position of the societies etc. so that preventive action could be taken by the Commission in time. The Committee desire that the system of audit and inspection should be tightened up so that such lapses do not recur.

4.9. The Committee would also like to be informed about the number and other details of the societies/institutions which received assistance from the State Boards and which have become defunct and the amount involved therein.

## B. Grants and Loans

4.10. With regard to the amount of Rs. 372.56 lakhs shown as overdue instalments of loans in para 12.22 (page 87) of the Annual Report of the KVIC for 1964-65, the Committee were informed that upto 31st December, 1965 about Rs. 91 lakhs have been additional recoveries against defaults as on 31st March, 1965. The witness admitted however that further instalments have become due between 1st April, 1965 to 31st December, 1965. The Committee enquired about the defunct institutions against which the amounts were outstanding. The Chairman, KVIC stated that "a stage may come when we may have to approach the Government in the normal course if any thing has to be done." He added that a certain percentage of ceiling might be fixed annually and that amount should be written off as lost or as bad debts. This should be done subject to proper



justification being offered by the institution or by the State Board or by the Commission

411 Asked whether the Commission reported to Government that so many societies were defunct, the Committee were informed that certain procedure had to be followed in the case of these societies. No action could be taken unless the Registrar certified that the money was irrecoverable. The witness added that he would like to wait for the balance sheets of the State Boards before initiating action.

412 The Committee feel that this information should be communicated to both the Central Government as well as the State Government immediately it is known that a particular institution has become defunct.

413 The Committee referred to the reply to Question No 10 (iv) (Appendix A) and desired to know the position regarding confirmation of balances relating to loans amounting to Rs 134 crores under Khadi and Rs 116 crores under Village Industries. The Chairman KVIC stated that under the existing procedure the signature of the relevant authority who was authorised by the Articles of Association of a particular Society or by a resolution of the Executive Committee or the General Body of the Society had to be secured and then it could be treated as confirmation. The signature had to be secured every year. But some institutions took time in confirming the balances and thus the residue was left. The Committee asked whether they could take action to compel the parties to confirm the balances. The Chairman KVIC stated that from the current year they had evolved a procedure by which they would vest the authority not by name for confirming but the President or Secretary of the Institution so that they would not have to approach the General body for getting a resolution passed. As regards the reasons for not getting the confirmation the witness stated They do not meet. There is a lack of system in these institutions that is all. Otherwise there is no dishonesty.

414. The Committee feel that unless the confirmation of balances is received from the institutions in time it would not be possible to satisfy the elementary need of audit and accountancy that the amount shown as due from particular institution is correct and undisputed.

The Committee would therefore like to watch the result of implementation of the new procedure evolved by the Commission whereby the Institutions would not have to approach the General Body for getting the resolution passed.

4.15. The Committee desired to know the difficulties in the matter of disbursing grants and loans to the institutions direct. The witness stated that it was difficult because the accounts of the institutions were in the books of the State Boards which were also not upto-date. Interference at that stage would have meant chaos and the Commission would not have known the amount previously advanced to the concerned institutions. The Commission would have taken upon themselves the responsibility which it would not have been able to discharge. Therefore, finalisation of accounts was insisted upon first.

4.16. The Committee desired to know the financial or administrative control of the Commission over the State Boards. The witness stated that the State Boards were responsible to the State Legislatures. The only authority that the Commission possessed was the authority consequent on financing. The Commission had therefore to seek the intervention of the State Government in making them interested and to see that the accounts were finalised and the work was brought upto a certain mark. When some serious irregularity came to notice the Commission immediately took it up with the State Board.

4.17. The Committee enquired what action was taken in connection with the overduo amounts from various State Boards which were not realised in time. The F.A., K.V.I.C. stated that they had taken a decision that normally they would not be financing the institutions unless they got their defaults cleared. The difficulty was that the State Boards were financing a large number of societies, in some cases upto 1500 societies and some of them were defaulters. If funds were not released unless the default was cleared, it would be very difficult for the State Boards to function. The matter was under discussion with the State Boards.

4.18. Asked whether there was any incentive for the State Boards to collect the dues in time, the witness stated that for most of the State Boards F.A. and C.A.O's had been appointed. The difficulty was about getting repayment in respect of those Societies which had become defunct. The State Boards were trying to get these societies liquidated. In certain cases, arbitration proceedings were going on. But clearing all the defaults would take some time.

4.19. While the Committee agree that constitutionally the State Boards are answerable to the State Government and State Legislatures, they cannot appreciate the sense of helplessness expressed by the Chairman K.V.I.C. as the Committee feel that the Commission

transaction or the confirmation whichever was later. The Commission was trying to find out the number of claims and the amount involved.

4.25. In reply to a question whether the State Boards were collecting the loans given to institutions in time and whether the Commission would stop the grant or loans to the State Boards in case it found that they were not doing so, the F.A., K.V.I.C. stated that they were "now watchful about the defaults of the State Boards". The Chairman, K.V.I.C. stated that before interfering, they had to find out the exact position because there might be good institutions which might be paying the amount regularly.

4.26. The F.A. explaining further stated that they had prescribed fairly elaborate forms for submission of the budget by the State Boards. They had to furnish information regarding financial performance, production, the number of defaulting or defunct societies, etc. While discussing their budget programme for the next year, the Commission went into the details of the working of their societies.

4.27. Explaining the system for release of grants by the Commission to the State Boards, the F.A. stated that based on the budget allotment for the year 25 per cent of their budget allocation was given as an advance. The State Boards have to submit expenditure statements giving details of the schemes. The Chairman K.V.I.C. added that the Commission did not make any payment beyond their expenditure statement unless it was satisfied that a particular State Board needed more funds. Recoupment was made on the basis of monthly statement of expenditure.

4.28. The Committee enquired whether the reports from these institutions were received so early as to enable the State Boards to send to the Commission expenditure statements for the purpose of re-imbursement. The Chairman, K.V.I.C. stated that the State Boards had no imprest system and the expenditure statement represented the outgoings from the State Boards.

4.29. The Committee pointed out that actually the Commission did not know as to what had been spent except that the State Boards informed the Commission that they had given certain sums to certain institutions. The F.A. stated that that was true, but they proposed to start the concurrent audit and inspection of State Boards also with a view to seeing whether the expenditure statements furnished by the institutions or the State Boards were correct.

430 Asked about the co ordination between the State Boards and the institutions which worked under them the Chairman KVIC stated that there was no direct control so far as State Board loans were concerned but if it was found that the measures adopted were not working satisfactorily some drastic control would have to be laid down as part of the State Board Legislation. He added in reply to a question that uniform instructions had been issued by the Commission to the State Boards about keeping of accounts.

431 The Committee referred in this connection to the following passage on page 27 of Annual Report of KVIC, 1954-55 —

But the Commission cannot help remarking that absence of any statutory link between the Commission and the State Board is a constant source of anxiety and it apprehends that some day it may be held responsible for many large scale difficulties with reference to finances advanced. It may then not be realised that the responsibility and right can scarcely or justifiably be divided."

The Chairman KVIC stated "certain amendments must be made of a character in the State Legislation empowering the Commission to work from within"

432 The Committee enquired whether the feasibility of releasing the grants direct to the States by the Commission had been considered. The Chairman KVIC stated that the suggestion had not yet been examined by the Commission but it was worth considering.

433 Since Parliament votes money to the Commission through the Ministry of Commerce the responsibility with regard to large scale difficulties with reference to finances advanced will rest with the Commission. It is therefore for the Commission with the help of Central Government to devise a suitable system which will remove this difficulty with regard to State Boards. The Committee desire that the Commission should also examine the feasibility of incorporating suitable provision in the Khadi Village Industries Commission Act with a view to regulating the relationship between the State Boards and the Commission.

434. The Committee are surprised that though almost 9 years have passed since the Commission came into existence the relationship between the Commission and the State Boards has not yet been either defined or put on proper footing. In the meantime large amounts of fund have been advanced to these State Boards and

through them to the Institutions both by way of Grants and loans without adequate control or scrutiny. The Committee desire that this state of affairs should be remedied forthwith and adequate safeguards and controls should be provided in the scheme of financial assistance given to them.

4.35. In reply to a question as to whether the Commission had the power to issue a directive to State Boards in case something went wrong, the Chairman, K.V.I.C. replied in the negative. He added that the gap in the State Board Legislation and the Central Legislation would have to be bridged to empower the Commission to rectify the situation. Asked whether the Commission would like to have the same powers or more powers as in the case of Union Government vis-a-vis State Governments relating to schemes sanctioned, the Chairman K.V.I.C. stated, "I simply want powers to issue a directive."

4.36. The Committee would desire to be informed whether any steps have been taken to bridge the gap between the State Boards legislation and the Central Legislation in regard to Khadi and Village Industries. They also desire that the question be examined whether the power to issue directives to the State Boards as proposed, would be conducive to greater efficiency and economy and enforcement of financial discipline and whether such a power is not implicit by virtue of the fact that large sums of money are being advanced by the Commission to the State Boards.

4.37. Referring to the Audit Report of Bihar State 1964, the Committee pointed out that in this case large amounts out of the grants and loans were neither disbursed nor refunded (undisbursed and un-refunded amount on 31st March, 1963 was, Rs. 13.75 lakhs of loans and Rs. 45.97 lakhs of grants) but retained by the State Board. The F.A. K.V.I.C. stated that that system was in vogue previously, but now all unspent balances were refunded to the Commission. He added that previously there was some difficulty because the Commission was not actually aware of their unspent balances under the various schemes in Khadi and Village Industries.

4.38. The Chairman, K.V.I.C. stated that the imprest system was a built in control to safeguard against retention of large amounts.

4.39. In reply to a question whether the imprest system had functioned efficiently last year, the Chairman, K.V.I.C. stated that it had functioned comparatively satisfactorily.

4.45. The Committee enquired whether the committed expenditure was borne entirely by the State Government. The F.A., K.V.I.C. stated that the Commission expected that the State Governments would finance the State Boards to the extent of 50 per cent of the additional expenditure. If the State Governments were not in a position to meet the expenditure and if the Commission was satisfied about their difficulties, then 100 per cent assistance was given to them. But it was invariably seen that the State Governments met their committed expenditure so far as the State Boards were concerned.

4.46. The Committee note that the Commission has impressed upon the State Governments to give their full share of assistance to the State Boards and to meet the committed expenditure in full. The Committee suggest that the Commission should make this full payment of the committed expenditure by the State Governments a condition precedent to the payment of any grant or loan to the State Boards.

#### D. Duplication in Grants/Loans

4.47. In reply to a question whether the State Boards, which were financing various schemes, got money only from the Commission or from the State Governments also, the F.A., K.V.I.C. stated that they got the funds only from the Commission except for those schemes which did not lie within the province of the Commission. He added that in certain States the Boards were given additional aid or rebates for the propagation of Khadi. In respect of grants and loans given by the State Boards to various co-operative societies and organisations, the entire financing was done by the Commission.

4.48. The Committee referred to the reply furnished to them in regard to Question No. 16(i) (Appendix XVI) wherein it had been stated "a few instances came to notice of the Commission in which institutions on the direct list of the Commission were found to have received funds from State Boards", and desired to know as to when it was first noticed that there were instances where institutions had obtained assistance from both the sources. The Financial Adviser, Khadi and Village Industries Commission stated that there was a decision in 1959 that for Khadi Programme, the institutions should take assistance from the Commission and for Village Industries from the State Boards. Later on, it was found that it might lead to certain duplications and lack of control. Thereafter, it was decided that all the institutions should be assisted by one source.

449 The Committee desired to know as to how it had been ensured that the State Boards did not get loans or grants from Commission as also the State Governments for the same scheme. Similarly about the institutions how was it ensured that they did not get loans or grants from the Commission as well as the State Boards. The Chairman Khadi and Village Industries Commission stated that there were some direct institutions on the list of the Commission and some institutions were on the list of State Boards. The Commission dealt with their direct institutions and the State Boards with their institutions. The witness added that there might however be some cases where institutions might have got loans from the State Boards also but those cases were very few. The procedure was being ironed out and when that procedure was introduced in every State Board "this will be a foolproof procedure".

450 In reply to a question the witness stated that the Commission was now publishing a list of direct institutions under the Commission and would circulate the list to the State Boards asking them not to finance those institutions. Similarly the Commission would expect the State Boards also to publish a list of direct institutions under the State Boards and circulate that list to all.

451 The Committee are surprised to learn that there was no proper procedure to ensure that an institution did not receive grants/loans from the Commission as well as the State Board for the same purpose. The Committee trust that with the proper implementation of the new procedure such a possibility will be eliminated.

### E. Utilisation Certificate

452 Asked to explain why utilisation certificates were not being sent for the past so many years and why funds were not being used for the purpose for which they were given the witness stated that there was still a very heavy back log. He stated that the financial control was only through the instrumentality of the State Governments. He added that the Commission assumed that the State Boards would give it the necessary help. If persuasion failed then they had to think of legislative amendments.

453 As regards recommendations on 'Internal Audit' by the Administrative Improvements Committee the witness stated, "my personnel experience is that we should not rush things." Secondly, the conditions in the State Boards are if I may put it, at the lowest which require a lot of supervision and control. It would not be advisable to rush up this organisation to implement that part of

the recommendation of the Administrative Improvements Committee."

4.54. When the Financial Adviser, K&VIC stated that the suggestion of the Administrative Improvement Committee for the abolition of the internal audit (Para 10 page 68) was based on a misunderstanding, the Committee pointed out that the recommendation was not for abolition but curtailment of internal audit staff when some of the functions were taken over by the State Boards. The Chairman, K&VIC stated "The State Boards first of all have to look after themselves before they can look after the institutions under them. Our present headache with the State Boards is that they are not *sui juris* yet."

4.55. Explaining the work done by the Internal Audit with regard to utilisation certificates the witness stated that as against the arrears of Rs. 36 crores shown in the audit Report, the present arrears were Rs. 5.76 crores only as on 31st December, 1965. They were coming to the hard core. It was better to clear the back-log once for all so that they could be systematised. In para 1.28 of the Annual Report the proposal to set up 12 parties had been mentioned in which obtaining of utilisation certificates was one. There were 963 registered institutions and the witness urged that the hands of the Commission should be strengthened for the purpose of clearing the back-log.

4.56. The Committee have in the past stressed the importance of furnishing the utilisation certificates by the institutions and State Boards concerned. The need for insisting on the production of the certificates assumes importance in view of the fact that according to the Chairman of the Commission himself the conditions in the State Boards are, "at the lowest which require a lot of supervision and control." In this connection the Committee would like to reproduce with approval the following observations of the Working Group on Khadi and Village Industries made in para 3.50 of their Report, which has been accepted by the Commission:

"We agree with the Public Accounts Committee that drastic steps should be taken by the Commission in regard to grant of further assistance to the State Boards and institutions which are not in a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. We would also suggest that where a State Board or an institution in spite of several requests, persistently defaults in rendering proper accounts or, furnishing utilisation certificates, further assistance to such



State Boards or institutions should be discontinued. We have no doubt that such a step while it might sound harsh is likely to be more salutary and result in strengthening financial discipline and accountability for public funds.

The Committee hope that action to obtain the utilisation certificates which are outstanding will be pursued vigorously and the back log cleared at an early date.

457 They trust that with the steps contemplated no arrears relating to utilisation certificates would be allowed to accumulate. The Committee have no doubt that there is imperative need to strengthen financial discipline and accountability for public funds in regard to the grants/loans advanced by the Commission to the State Boards/institutions. The Commission should not hesitate to take all the measures necessary to achieve this end.

#### F Inspection of State Boards

458 The Committee referred to the reply to Q No 20(ii) item (vi)—study of State Boards (Appendix XX) and desired to know if any definite period had been laid down during which the Inspection parties were to report to the Commission on the working of State Boards. The Chairman KVIC stated that at present the target was once a year. So far 8 or 9 State Boards had been covered out of 15.

459 Asked whether there was a periodical inspection of the State Boards and direct institutions the Financial Adviser stated that with the commencement of imprest system which visualised submission of detailed accounts scheme-wise monthly it would be absolutely necessary for the State Boards as well as the Institutions to maintain their accounts which would be liable to be test checked by Audit and inspection parties. He added that "they have been apprised that serious notice will be taken by the Commission if any deliberate mistakes are noticed in these expenditure statements". The Chairman KVIC added "the bigger institutions are following an accounting system which is reasonably satisfactory. So far as the State Boards are concerned I do feel that within a year we should be able to clear the back log of accounts".

460 The Committee enquired as to the machinery in the Khadi Commission for watching the progress of work of the State Boards and for maintaining liaison between the Commission and the Boards. The Member-Secretary KVIC stated that in some of the States the

Commission had branch offices with a skeleton staff. The Chairman, KVIC stated that parties were also sent out by the Commission periodically to examine the administrative and financial efficiency of the State Boards.

4.61. The Committee pointed out that if some State Boards were not amenable to the financial discipline of the Commission, the Commission could withhold assistance to them and give it to the institutions through its State Offices. The Chairman, KVIC stated that it would not be possible to finance the institutions under the State Boards, because the Commission did not know the financial outgoings from the State Boards to the institutions or the repayments by the institutions to the State Boards.

4.62. The Committee suggested that a Special team of two or three officers might be sent to the State Boards to persuade them to complete the past accounts and to get the latest position. The Chairman, KVIC stated that this would only be an *ad hoc* method and the State Boards would try to transfer all responsibility to the Commission. He added that the Commission was thinking of compelling them to make up the accounts by introducing FA and CAO's.

4.63. The F.A., KVIC stated that under the clause in the agreement relating to conditions of the loans and grants given to the implementing agencies the Commission had decided to conduct regular audit and inspection of the State Boards and it would be one of the prescribed functions of the Directors of Inspection.

4.64. The Committee feel that besides exercising financial control, the Commission should also have an efficient machinery at its disposal to watch the progress made by the State Boards in their work. They also suggest that the system of regular inspection of the State Boards by the officers of the Commission should be adopted on a permanent basis with a view to examining the administrative and financial efficiency and the actual achievements of the State Boards.

4.65. The Committee welcome the proposal to introduce Financial Adviser and Chief Accounts Officer in every State Board and hope that this would help in ensuring financial discipline and proper and upto-date maintenance of accounts.

#### G. Co-operative Societies and Institutions

*Balances of loans outstanding against a few important Societies.*

4.66. (b) A few important societies, outstanding balances of loans against which are large and which have also not confirmed till May.

1965 the balances due from them for more than three years, are detailed below

Sl No	Name of the Institution	Outstanding balance of loans as on 31st March '63	Amount of loans overdue for recovery as on 31st March, 1963
(In lakhs of rupees)			
1	Paschim Bengal Ghandi Salpa Samabaya Mahasangh Ltd, 14, Princess St, Calcutta	5 32	5 04
2	Saghan Kshetra Vikas Samiti, Dhanaura	4 20	3 06
3	Saghan Kshetra Vikas Samiti, Ajagara	1 25	0 45
4	Saghan Kshetra Vikas Samiti, Singhpurasani (Distt Moradabad)	1 19	0 64
5	Gram Udyog Mandal Pukhrayan, Kanpur	0 99	0 23
6	Hadoti Khadi Gramodyog Sangh, Baran (Rajasthan)	0 75	0 64
7	Gram Seva Sangh, Mughaklyan, Howrah	0 62	0 43
8	Bhopal Rajya Khadi Gramodyog Sangh, Bhopal	0 61	0 46
9	Saghan Kshetra Vikas Samiti, Rudrapur	0 59	0 47

The transactions in respect of items (2) and (8) above were the subject matter of comment by the Public Accounts Committee vide para 64 of their 7th Report (Third Lok Sabha) and para 9 of their 19th Report (Third Lok Sabha)

467 Recovery of a large amount of overdue instalments of loan is also outstanding against Kasturba Seva Mandir, Rajpura the amount of overdue instalments of loans which stood at Rs 11 lakhs as on 31st March 1964 is stated to have increased to Rs 22 lakhs as on 22nd July, 1964. It has been stated that the stocks of the institution covering the amount of default have been taken over and kept in the custody of the Commission, and that the institution has been permitted to receive stocks required for sale on the condition that the sale proceeds will be remitted to the Commission. Under this arrangement an amount of Rs 11.83 lakhs is stated to have since been recovered as upto 31st March, 1965, recovery of the balance is awaited (May, 1965)

4.68. In reply to Question No. 11(iii) (Appendix XI) the Committee have been informed of the latest position with regard to 9 Societies mentioned in the Audit Report. The Committee have also been informed vide replies to Questions No. 11(iv) and 11(v) the position regarding Saghan Kshetra Vikas Samiti, Dhanaura (Appendix XI) and Bhopal Rajya Khadi Gramodyog Sangh, Bhopal (Appendix XI).

4.69. The Committee note that the amount of loan overdue for recovery from Paschim Bengal Ghani Silpa Samabaya Mahasangh Ltd., is Rs. 5.32 lakhs and the question of recovery is being pursued with the liquidator as the institution has been taken into liquidation. It is also stated that the case of Gram Seva Sangh, Mughkalyan, Howrah is also being referred to arbitration. The Committee would like to be informed of the result of arbitration in due course. They would like the Commission to ensure that the arbitration proceedings are not unnecessarily delayed.

4.70. With regard to Kasturba Seva Mandir, Rajpura, the Committee have been informed in a written reply to a question that against the total defaults of Rs. 22.58 lakhs a sum of Rs. 8.27 lakhs remained unrecovered as on 31st July, 1964. It has further been stated that out of this, the amount of Rs. 5.79 lakhs under Khadi Working Capital will form part of working fund and would not thus be returnable if particular levels of production/sales are to be maintained which was under verification and the balance amount of Rs. 2.48 lakhs under "Wool" loan will be adjusted against the institution's claims amounting to Rs. 2.63 lakhs.

4.71. While the Committee note that the total default has been brought down substantially and the remaining unrecovered defaults are likely to be adjusted/cleared, they cannot appreciate that a total default of Rs. 22.58 lakhs was allowed to accumulate against the Kasturba Seva Mandal, Rajpura. The Committee would stress the need for taking prompt action as soon as defaults are noticed so that such defaults are not allowed to accumulate in future.

*Adarsh Ambar Sahakari Mandal—para IV (iii)*

4.72. The Adarsh Ambar Sahakari Mandal received loans to the extent of Rs. 2.83 lakhs from the Commission during 1958-59 to 1961-62 and of Rs. 1.91 lakhs from Madhya Pradesh Khadi & Village Industries Board. Against this total liability of Rs. 4.74 lakhs the Society is reported to have assets valued at Rs. 2.49 lakhs only. A complaint regarding mismanagement of the affair of the Society

and loss of Rs 2 lakhs was received by the Commission in May, 1964. The report of the Joint Registrar of Cooperative Societies who conducted an enquiry into the affairs is awaited (May, 1965). Meanwhile the management of the Society has been superseded and an Administrative Committee has been appointed by the Joint Registrar in consultation with the State Board and the Commission.

473 The Committee had desired to know whether the report of the Joint Registrar of Cooperative Societies who had been conducting an inquiry into the affairs of the institution had been received; if so what were the findings and what action had been taken on the report. The Committee find from the written reply to Question No 16(v) (Appendix XVI) that the report of the Joint Registrar points out *inter-alia* the following irregularities —

- (i) Fictitious production and sales to the tune of Rs 39 424 97 and Rs 1,25 192 75 respectively were shown in the books of accounts of the Society
- (ii) Another society the Laghu Udyog Sahakari Samiti L'd, Ujjain was organised by most of the members of the Adarsh Ambar Sahakari Mandal L'd Ujjain and has staff of the Ambar Mandal obviously to show the fictitious printing dyeing the sewing work and to obtain bogus bills for the same
- (iii) Khadi hundies were not actually sold. The hundies were shown as handed over to some persons for effecting sales. The amount of hundies handed over to various persons for sales was debited against their names. Sales proceeds of hundies amounting to Rs 14 154 25 are yet to be recovered
- (iv) Hire purchase loan received by the Society was not fully utilised for the purpose for which it was given
- (v) The land for construction of building was purchased from Ex President of the society

A newly constituted managing committee is stated to have submitted its full report to the Assistant Registrar Cooperative Societies Ujjain in August, 1965. The Managing Committee has suggested the winding up of the affairs of the Society by taking it into liquidation at the earliest. The Managing Committee has also suggested that the property of the Society be attached under the powers delegated to the Assistant Registrar Cooperative Societies

under provisions of the Cooperative Act. The criminal proceedings against the office bearers of the Society responsible for mismanagement have also been suggested. Further development is awaited.

4.74. The Committee feel perturbed that a society which is expected to be manned by dedicated and devoted persons and workers has indulged in such serious irregularities as have been pointed out in the report. This indicates the need to exercise greater scrutiny over the credentials of societies and institutions at the time of giving grants/loans to them, and also to insist on proper and timely submission of accounts before releasing further grants/loans.

The Committee would like to be informed of the final outcome of this particular case.

#### H. Transfer of work to State Boards

4.75. Explaining the position of the State Boards *vis-a-vis* the Commission, the Chairman, Khadi & Village Industries Commission stated that the 15 State Boards were responsible to their own legislatures. The question was how far it would be prudent for the Commission to take up the responsibility of setting right the affairs of the State Boards or follow up discussions in the State Legislatures. A certain formula was arrived at showing the responsibility of the Commission after discussion with the C. & A.G. as to what extent the Commission would be advised to follow up this matter in relation to State Boards accounting to the State Legislature. When the Committee pointed out that since money was advanced by the Commission to the State Boards, the Commission had a say in these matters as also the Central P.A.C., the witness stated "at the theoretical level I perfectly agree with you." Asked how the Commission ensured the proper working and financial accounting of the State Boards, especially where they flouted the wishes of the Commission, the C. & A.G. stated that this matter had been discussed by him with the Chairman of Khadi and Village Industries Commission and the position was as follows:—

"State Boards are statutory bodies of the State Governments. Therefore, the State Governments are entitled to get a report from me or the Accountants General of the States. The relation between the Khadi Commission and the State Board is that of grantor and grantee. So to the extent any grant given by the Commission is misused by the State Boards, it will come under the Audit purview.

In the Central Audit Report it will not be possible for me to include all activities of the State Boards as such. The activities of the State Boards as such are reported to the State Governments. They are their bodies'.

476 In reply to a question the witness stated that at present the Commission as well as State Boards had their direct institutions which were producing trading Khadi. 'Our whole idea is that the production work should be carried out by independent institutions or cooperative societies' and now we are more or less making it a rule that neither the Khadi Commission nor the State Boards should have any direct production of trading Khadi.' It would take 2-3 years before this rule came into force.

477 The Committee desired to know the progress that had been made by the Khadi and Village Industries Commission in regard to the transfer of work relating to the financing of private institutions and the cooperative societies to the State Boards about which a decision was taken in 1959. The Joint Secretary, Department of Social Welfare informed the Committee that the Khadi and Village Industries Commission had already made a beginning in Gujarat. In regard to the difficulties in transferring the work to the State Boards the witness stated that in those days the State Boards were in a formative stage. He added that the State Boards should be ready with their organisational set up to absorb the staff that would be transferred to them. As soon as the State Boards were ready, the work was handed over to them and the process was going on. The Chairman Khadi and Village Industries Commission stated that the State Boards are still to come up to the level of expectation. It will ruin the cause of Khadi and Village Industries if we hand over these institutions prematurely to them. The work of the Commission had been transferred to the State Boards of Gujarat and Bihar in January and April 1965 respectively. The Commission was going to transfer the work to the State Board of Madras on the 1st April 1966. Similarly the Commission had been negotiating with the State Board of Maharashtra to transfer the work and would perhaps be transferring the work of the Commission to that State Board on the 1st April, 1966.

478. On his attention being drawn to the following reply to question No. 5(b) (vi) furnished earlier to the Committee

"Meanwhile the conference of representatives of State Boards held at Jaipur in November, 1960 recommended that in the case of Village Industries also the Commission might directly deal with such of the old institutions",

the Chairman, Khadi & Village Industries Commission stated "I think it is a mistake. It is not the State Board; it is the All India Board." He added that the State Boards were not averse to taking over this responsibility.

4.79. As regards the institutions, the witness stated that they were at various stages of growth. It was the responsibility of the Commission to see that the work was transferred in a manner which did not upset the working of the institutions. The institutions had their branches, sub-branches, village level organisations and all these things had to be taken into consideration before arriving at a decision. Overall decision has however been taken that "wherever we transfer the Commission's work to the State Boards, we shall simultaneously be transferring, to begin with, the village industries work to the State Boards."

4.80. In reply to a question, the witness stated that the State Boards were brought into existence at various periods between 1959 and 1962. The object of bringing them into existence was to ensure that the State Boards in course of time would be discharging the functions which the Commission had been discharging.

4.81. The Committee then drew the attention of the witness to the following recommendation of the Administrative Improvements Committee in 1965.

"We are, therefore, of the opinion that the responsibility of implementation of the programme must be entrusted to the State Boards. The Commission's Directorate gives technical guidance to the Boards and their staff. They can also attend to the programme of planning, research and general matters pertaining to the supply of raw materials and marketing."

The witness stated that there were some State Boards which were still in the process of finalising their accounts. There was considerable back-log in the case of some State Boards. The accounting system had to be brought upto-date. Financial Advisers and Chief Accounts Officers had been appointed to tighten up the system. It would, therefore, not be advisable to rush up the thing unless the accounting system was brought upto-date. On being asked whether, it would be correct to conclude that State Boards were not functioning efficiently and the Commission was convinced that any transfer of work to the State Boards would ruin the cause of Khadi, the witness stated, "I will not give a certificate of efficiency to all the State Boards." He added "but it is a different



thing to say that they are inefficient from saying that they will take sometime before they are in a position to take over this work which is a detailed kind of work' So far as the efficiency of the State Boards was concerned they could be divided into three categories

There are some State Boards where the situation is far from satisfactory, there are some State Boards which with a little grooming can come up and there are some State Boards which have reached a certain level of efficiency which can be called satisfactory "

482. In reply to a question the witness stated that the Commission had not set any target date by which time all the work would be transferred to the State Boards

483 The Committee feel perturbed to note that it is admitted on all hands that the working of most of the State Boards is far from satisfactory The Accounts also were not maintained properly In these circumstances the Committee feel that time is not yet ripe for the transfer of functions of the State offices of the Commission to the State Boards The Committee also feel that the Commission have to proceed cautiously in implementing the recommendations made in page 16 of the Administrative Improvements Committee that the responsibility of the implementation of the programme must be entrusted to the State Boards, as in the opinion of the Commission itself, "the weakest link in the organisational chain is the State Board." Unless therefore, the Commission are fully satisfied about the level of efficiency attained by State Boards, it would not be desirable to hand over functions of the Commission (or its State offices) to the State Boards It is however unfortunate that due to these shortcomings the functions cannot be transferred to the State Boards and to that extent the duplicate organisation and duplicate expenses would continue, for sometime at least

484 With regard to the State Boards the Committee welcome the statement made by the Minister of Commerce in the Lok Sabha on the 25th March 1966 while replying to the Debate on the Demands for Grants that —

"I can say this, wherever the Khadi Commission or the Central Government finds that a State Board or even a few centres run by them are not being run in a proper manner, whether in terms of accounting or in terms of economics I can give this assurance that we shall get that matter examined thoroughly, if necessary, we shall close those centres or take over the work of that board we would be prepared to appoint a reviewing committee

of the Members of Parliament, the representative of the State Khadi Boards and the representatives of the Khadi Commission headed by the Chairman and certain other knowledgeable people.... so that they can harmonise the relations. If there are any deficiencies found in the working of the Khadi Commission, and if the relationship between the State Board and the State Government or between the Central Government and the State Boards and the State Governments. with respect to khadi is lacking in any better coordination, that committee can give us the necessary advice."

4.85. As the Commission give grants and loans to the State Boards, their responsibility through the Ministry to Parliament which votes the money remains. The Committee therefore, welcome the proposal of the Minister to set up a Committee for the purposes of reviewing the position and harmonising the relations between the State Boards and the Commission. The reviewing Committee should inter-alia, suggest measures for improving the position of the State Boards so that they can take over the responsibility of implementation of the programme as recommended by the Administrative Improvements Committee.

### I. Palm Gur Industry

*Grants to an institution—para V (i) of Audit Report*

4.86. In November, 1961 and May, 1963, grants amounting to Rs. 12,840 and Rs. 8,695 respectively were paid to an institution to meet the cost of plantation, maintenance etc. of 16,000 palm trees. Against this, only 10,200 trees were stated to have been planted, out of which only 165 trees survived. In May, 1963 the institution was paid a further grant of Rs. 6,400 for the maintenance of 165 trees.

4.87. The Committee have been informed in reply to Qs. No. 17 (i)-17 (iv) (Appendix XVII) that 10,000 trees were planted under the direction of two persons and this plantation did not succeed as the land selected for transplantation of grown up date palm trees proved unsuitable. The place was a rocky one, the trees got uprooted and there was lack of continuous watering after transplantation. The Committee have also been informed that out of the further grant of Rs. 6,400 given for maintenance of 165 trees, sum of Rs. 6,238 being the balance after the expenditure incurred has been refunded.

488 The Committee regret to note that in this case, almost the entire grant given for a specific purpose became infructuous. They also fail to understand the basis of the payment of the grant of Rs. 6400 for the maintenance of 165 trees which was apparently excessive. The Committee hope that greater care would be taken in future in the matter of selection of site and of assessment of the quantum of grants etc. and assistance of persons with knowledge of plantation and replantation would also be taken.

*Release of grant and loan—Para V (u) of Audit Report*

489 On 2nd January 1962 the Mysore Khadi and Village Industries Board passed a resolution that in view of the unsettled policy of the Government of Mysore regarding future of Neera and Palm Gur Industry no money need be spent even though an amount of Rs. 382 lakhs had been budgeted for during 1961-62. Immediately thereafter (18th January 1962) the State Board resolved that while the Palm Gur schemes themselves were financially not sound and that no society could thrive if only manufacture of Palm Gur was permitted—Neera and Palm Gur schemes being a composite scheme the Palm Gur Schemes might be continued during the year 1961-62.

490 Accordingly the State Board requested the Commission (27th January 1962) to release funds for the development of Palm Gur during the year 1961-62. On a reference being made to them the State Government communicated their decision to the Commission in April 1962 that no new Neera centres should be opened in the State and that renewal of licences in existing Neera centres should not be granted after the expiry of the existing period of validity. Nevertheless loans and grants amounting to Rs. 2.39 lakhs and Rs. 1.44 lakhs respectively were released by the Commission to the State Board in July 1962.

491 In November 1962 the State Government also communicated their decision to the Commission not to renew the licences of Neera centres with effect from 1st October, 1962 and stated that the grant of renewal of licences for tapping Neera for the manufacture of Palm Gur was under the consideration. The Commission however released a further loan of Rs. 1.50 lakhs and grant of Rs. 0.84 lakh to the Board on 8th January 1963. Immediately thereafter (31st January, 1963) the State Board passed a resolution not to extend any financial aid to Palm Gur societies.

492. No account of the utilisation of the amounts aggregating to Rs. 6.17 lakhs paid under the scheme has been rendered by the Board so far (May 1965).

4.93. The Committee have been informed about the circumstances under which the Commission released grants and loans in July, 1962 and again in January, 1963 despite the communications from the State Government in April, 1962 and November, 1962 respectively vide reply to Question No. 18(i) (Appendix XVIII). It has been stated that the main aim in releasing the funds for the manufacture of palm gur and other products was to save the thriving palm gur industry in the Mysore State and also a large number of tappers who were thrown out of job as a result of the introduction of the prohibition in Mysore State. It has further been stated that the State Government have since accepted the State Board's request in recognising the State Board as recommending authority in the matter of issue of licences to the palm gur society.

4.94. The Committee have also been informed in reply to Question No. 18(ii) (Appendix XVIII) that the total amounts of loans and grants paid in July, 1962 and the rest of the year (upto March 31, 1963) were Rs. 7,23,300/- and Rs. 3,53,970/- respectively. The State Board disbursed to the Societies Rs. 35,748/- and Rs. 34,730.79 paise by way of loan and grant leaving unspent amounts of Rs. 6,87,552/- and Rs. 3,19,239.21 paise. The unspent amounts were refunded to the Commission in December, 1963. The State Board has furnished so far utilisation certificates for an amount of Rs. 30,338.79 (Grant). The State Board has intimated that action has been taken to obtain and verify utilisation certificates for the remaining amounts from the Institutions to whom the loans and grants were disbursed.

4.95. The Committee understand from Audit that before the release of funds in July, 1962, the State Board had with it unspent balances of Rs. 1.20 lakhs (grant) and Rs. 3.14 lakhs (loan) at the end of 1961-62 (the refund of which according to the Commission's own statement was asked for by the Commission in November, 1962 and February, 1963). In these circumstances, the Committee are unable to discover any justification for the release of further loans and grants to the State Board in July, 1962. It is also clear that when release of further funds was made in January, 1963, the loans and grants paid in July, 1962 had not been fully utilised as unspent amounts of Rs. 6,87,552 and Rs. 3,19,239.21 were refunded to the Commission in December, 1963 out of the total amounts of loans and grants amounting to Rs. 10,77,000 paid in July, 1962 onwards. The Committee further understand that the State Board was required to spend the loans and grants amounting to Rs. 3.83 lakhs received from the Commission in July, 1962 within three months of their drawal and to refund any unspent balances. The Committee are surprised to find how further funds were advanced by the Commission to the State

Board in January 1963 when the latter had neither utilised the amounts even during the six months which had elapsed nor had it refunded the unspent balances. The Committee would like the Commission to ensure that previous grants/loans have been fully utilised by the State Boards before releasing further grants/loans to the same institution or Board.

MISCELLANEOUS

Para I (i) of Audit Report

(In crores of rupees)

106 (Aii) LS-5

1	2	3	4	5	6
(ii) Refund of unutilised grants etc.	1 21 — 14 58	0 91 — 11 63			
Miscellaneous receipts	0 13	0 06			
Suspense	0 16	0 07			
Net profit from trading opera- tions of the Commission's own units	— 0 19	0 11 — 0 24			
	33 64	30 42		33 64	30 42
*Gross Payments				Rs 3 89 crores	
Less receipts				Rs 3 81 crores	
†Gross payments				Rs 3 47 crores	
Less receipts				Rs 2 41 crores	

51 The Committee had desired to know the reasons for the decrease in the payments to Institutions/State Boards etc to Rs 23 78 crores in 1963-64 from Rs 27 55 crores in 1962-63. In the written reply to question No 4(b) furnished to the Committee (Appendix IV) it has been stated that the decrease was due to the strict measures taken against the Institutions/Societies which were in default in repayment of loans, and was not due to any curtailment of activities.

It has further been stated in reply to question No 4(c) (Appendix IV) that the loans for 'Khadi and Village Industries' are interest free except the loans for 'Working Capital' (now working Fund) under village industries which carry interest at 2½ per cent from the third year. The loans repaid amounting Rs. 13 37 crores in 1962-63 and Rs. 10 77 crores in 1963-64 however, do not include this interest.

52 The Committee had desired to know the reasons why the refunds and repayments of loans are allowed to be retained by the Commission and not required to be refunded or repaid to the Government. It has been intimated in reply to question No 4(d) that the procedure of not refunding the receipts (except interest received) to the Government of India but utilising them for further disbursements, was considered and decided at the Inter-Ministerial Meeting held as early as on 22nd December, 1956 where representatives of Audit were also present.

5.3. The Committee drew the attention of the witness to item 2(d) of Annexure G (Appendix XXXVI) on page 8 of the statement of Accounts of the Khadi & Village Industries Commission for the year 1963-64 and enquired whether the amount of Rs. 44,61,171 had been spent or was outstanding. The Financial Adviser, Khadi and Village Industries Commission stated that the amount represented the loans given for capital expenditure on construction of godowns and other structures. He further added that the amount was the total of the outstanding loans given for the purpose of construction of godowns.

5.4. The Committee desired to know whether any investigation had been conducted to find out whether the godowns that had been constructed by the Commission or by other agencies had been fully utilised. The representative of the Khadi and Village Industries Commission informed the Committee that godowns were given depending on the increase in production. If the production went above a certain limit, then only a godown was given. Godowns were given for village industries for items where stocking of raw materials was necessary. The godowns provided in the initial stages had subsequently become inadequate in size. Additional funds were given later on to meet the expanded requirements. The witness stated that "to say that the godown capacity has not been fully utilised is to a certain extent not proper."

5.5. The Committee pointed out that some loans or grants were given for godowns for the Village Industries also and enquired as to why the same had not been shown in the statement of Accounts. The witness stated that in the case of Village Industries, it was a part of the industries programme. If some buildings were to be built, then some space or certain rooms were allotted for the godown.

5.6. In reply to a question, the witness stated that the amount required for godowns was sizeable in the case of Khadi and that was why it had been shown separately, but it was not so in the case of Village Industries. The Financial Adviser, Khadi and Village Industries Commission added that the godowns were meant for intensive area. There were a specific number of schemes under Khadi. A number of schemes were in operation under each of the Village Industries. It would clutter up accounts, if it was shown separately and that was why they were shown in totality.

5.7. At the instance of the Committee a statement showing the total amount disbursed so far (1954-55 to 1964-65) by the Commission on construction of godowns has been furnished (Appendix XXXIX). The Committee note that a total of Rs. 181.95 lakhs has so far been



given as grants and loans for the construction of godowns. The Committee are unable to appreciate the reasons advanced for not showing in the Accounts the figures of grants loans given to Village Industries for the construction of godowns specially in view of the fact that so far a total amount of Rs. 42.56 lakhs has been disbursed by the Commission for this purpose according to the statement furnished. The Committee would therefore desire that the figures relating to construction of godowns in regard to Khadi and Village Industries should be fully and clearly indicated in the Accounts of the Commission. A separate register should be maintained giving details of each godown so constructed.

58 The Committee referred to the recommendation made by the Working Group on Khadi and Village Industries in para 59 of their Report that— We would also suggest to the Commission to examine the need for continuing the subsidy at as high a rate of 50 per cent as the godowns are to be used for a commercial purpose and cannot be considered as a part of promotional or developmental activity and desired to know why this recommendation had not been accepted by the Commission (vide page 830 para 78 of Comments of the Khadi and Village Industries Commission on the Report of the Working Group—January 1966).

59 The Chairman Khadi and Village Industries Commission informed the Committee that the volume referred to contained the comments of the Khadi and Village Industries Commission. The Commission had gone into the details of every recommendation. The witness added that in regard to the question of godowns there were places where alternative accommodation was not available. In big towns and even in urban areas there might be places where alternative accommodation would not be available for storing of oilseeds or paddy. There was hardly accommodation in some of the Villages for the people to provide for their families. He added that in such places for the Commission to enter into commitment that we shall not give any godowns would in my opinion hamper the programme.

510 The Committee note from the Commission's views recorded in pages 83-84 of Comments of the Khadi and Village Industries Commission on the Report of the Working Group that the Commission is considering the question of providing premises on a hire purchase basis instead of 50 per cent grant and 50 per cent loan and even of providing some kind of portable type of sheds etc.

511 The Committee would like to suggest that the feasibility of implementing the recommendation of the Working Group that 'as

far as possible accommodation for storage, of raw materials and finished products of Khadi and Village Industries should be hired" should be considered. The Committee hope that a suitable solution to the problem of godowns will be found Commensurate with economy in expenditure.

## B. Estimates of Departmental Receipts

### Para I(iii) of Audit Report.

5.12. The following table shows that the Commission's estimates of departmental receipts (mainly refunds and repayment of loans advanced by the Commission which are not required to be paid to the Government) have been generally under estimated during the three years ending with 1963-64:

Year		Original Estimates	Revised Estimates	Actuals
(In crores of rupees)				
Khadi	1961-62	6.41	6.67	9.14
	1962-63	7.34	7.34	9.70
	1963-64	3.98	7.24	7.69
Village Industries	1961-62	1.35	1.50	3.27
	1962-63	2.12	2.12	4.62
	1963-64	2.16	4.00	3.97

5.13. The reasons for variations in the estimates and actuals have been explained to the Committee in a written note in reply to Question No. 6 (Appendix VI). The Committee hope that the normal tendency to under-estimate departmental receipts will be avoided in future.

5.14. With regard to loans repayable by the State Boards etc. it has been stated that the terms and conditions of the repayments are got accepted by the loanee State Board/Institutions/Societies before release of funds. Due dates for repayment are watched through ledger accounts maintained by the Commission in respect of each loan. Notices are sent about 2 months in advance of the due dates to the parties concerned although the loanees themselves are required to watch and repay the loans on due dates.

5.15. The Committee are informed that the progress is reviewed every month in the meeting of the Commission that a consolidated statement showing the overdue amounts of loans from the State

Boards Institutions/Societies is also prepared every six months and placed before the Commission and that special efforts are made through Industry/Programme Directors and State Directors of the Commission for effecting recovery of the same. Legal action is also taken wherever necessary. The Committee are given to understand that there is however need to amend the legislation to remove a legal lacuna in the matter of recovery of these dues as arrears of land revenue. The Committee hope that early steps would be taken to amend the legislation to remove the legal lacuna in this regard.

516 There was wide variation between the original estimates, revised estimates and Government sanction for Khadi and Village Industries as follows:

	Original	Revised	Govt sanction
	(Rs in lakhs)		
Khadi	800 00	874 00	1063 82
Village Industries	550 00	381 00	361 00

517 The Committee enquired as to the reasons for the wide variation between the figure of original estimates, revised estimates and the Government sanction in the Budget Estimates and Disbursements for Khadi and Village Industries for the year 1963-64. The Chairman, K.V.I.C., stated that the reasons for 1963-64 had been explained in reply to Question No. 4(e) (Appendix IV). In 1964-65 there was not so much variation.

518 Asked whether the Commission was empowered to give money to the institutions in excess of sanction in the budget, the Secretary, Commerce explained that in that year there was a change in the method of giving subsidy. Government sanctioned from contingency fund a sum of Rs. 160 lakhs, which later on was placed before Parliament for its approval. This was necessitated because of a decision that in relation to the earlier production subsidy should be given. Finances required were much more than original estimates.

519 When asked whether the Commission spent the money after getting the budget approved by Government, the Secretary, Commerce replied in the affirmative.

5.20. In reply to question No. 4(e) (ii) and Question No. 6 (Appendices IV and VI) the steps taken to improve budgeting technique have been described. The Committee note however that the following are the figures of original budget estimates, revised estimates and Government sanction in respect of Khadi and Village Industries during the years 1961-62 to 1964-65:

Year					Original budget estimates	Revised estimates	Govt. sanction
					(Rs. in Lakhs)		
Khadi	1961-62	.	.	.	1187.00	880.50	955.50
	1962-63	.	.	.	982.00	962.00	1257.00
	1963-64	.	.	.	800.00	874.00	1068.82
	1964-65	.	.	.	993.00	..	993.00
Village Industries	1961-62	.	.	.	420.00	627.00	517.00
	1962-63	.	.	.	625.00	550.00	280.00
	1963-64	.	.	.	550.00	381.00	361.00
	1964-65	.	.	.	500.00	..	500.00

5.21. These figures indicate that there is much scope for improvement in budgeting techniques. It appears to the Committee that the steps taken are not adequate and suggest that further action should be taken to make the budgeting more precise.

### C. Renewal of Loans

#### Para 1(iv) of Audit Report

5.22. In October, 1964, the Government granted a renewal up to 30th September, 1969, in the first instance, of the loans amounting to Rs. 34.02 crores which had fallen due for the repayment by the Commission up to the 30th September, 1964; the Commission had represented that the institutions dealing with the Khadi and Village Industries would not be in a position to repay these loans (which mainly constituted their working capital) so long as their present level of activities continued.

5.23. In para 45 of their 38th Report, the Public Accounts Committee (1964-65) recommended that Government should examine in detail the financial implication of the proposals of the Committee already appointed by the Commission to work out a scientific basis of capital requirements, before accepting a particular figure as Working Fund.

524 The existing system of advancing loans is as follows

The State Boards and the institutions implementing the Khadi and Village Industries programmes obtain loans from the Commission for working capital. The State Boards disburse these loans to the cooperatives and institutions excepting to the extent retained by them for the programmes undertaken by them directly. In addition loans are given for the purchase of raw materials required for the production of Khadi and Village Industries. There are sometimes occasions when on account of lean marketing seasons or on account of such other temporary difficulties the capital of the State Boards and the institutions is locked up and they experience difficulty in continuing production. In order to tide over such exigencies the Commission makes available temporary loans for a period of 6 months.

The loans for working capital for the production of Khadi are interest free and are repayable in 10 years. These loans are technically repayable at the end of the first year but if 10 per cent of these loans is repaid the remaining 90 per cent can be renewed. Loans for working capital for village industries are repayable in 5 years. They are interest free for the first two years and thereafter bear 2½ per cent interest. 30 per cent of the loans is repayable at the end of the third year, another 30 per cent at the end of the fourth year and the remaining 40 per cent at the end of the fifth year."

525 It has been stated in the Annual Report 1964-65 of the Khadi and Village Industries Commission that the Commission introduced the working fund system in October 1964. This arrangement was designed to ensure that the disbursements were related to production. The Committee had desired to know what action had been taken on the recommendation of the Committee made in para 45 of their 38th Report (1964-65) relating to the working funds for the Commission. In a written reply to a question furnished to the Committee by the Department of Social Security it had been stated that the Committee appointed by the Commission to work out a scientific basis of capital requirements had given its report in regard to Cotton Khadi in May 1965 and that it was at present working out the formula in regard to Silk and "Woollen" khadi. The Committee desired to know when a final decision was expected. The Chairman Khadi & Village Industries Commission stated that after the Report was received it had to be circulated to members institutions and it took some time to

find out their reactions. The Commission was now formulating its views after hearing the views of the K & V. I. Board and the institutions. The Report had been accepted with some modifications. Asked whether on the basis of the formula accepted the Commission would require more funds than what had already been given, the witness stated that broadly it would be possible to manage with the funds with about 5% variation on either side.

5.26. He added that the same Committee was finalising proposals on silk and woollen khadi. In the case of wool and silk the number of institutions were less and therefore it would be a speedier process.

The Commission introduced the Working Fund system in October, 1964. This arrangement is designed to ensure that the disbursements are related to production. It will also facilitate exercise of periodical checks and ensure that State Boards and Institutions are left with only necessary funds.

5.27. The Committee desired to know if in the working fund, provision was made only for the actual amount required by the Institution or profits or other charges were also provided for. The representative of the Khadi & Village Industries Commission stated that working fund was given to maintain production or sales and when expansion of production took place, capital was given in instalments for the expansion programme. Working Fund was not given for raw materials. "But the working fund is maintained by the Commission because the raw-material to be purchased has to be purchased one year in advance. The Khadi Commission arranges for purchase of raw material and for that they would have to pay out of the working fund." Asked about percentage of value of production given as Working Fund, he stated that it was about 45 per cent.

5.28. In reply to a question as to how the value of production was fixed, the Committee were informed that in fixing the value of production "cost of raw material, wages and establishment expenditure" were taken. "Cost of the market price is fixed according to value of cost of raw material, cost of production plus establishment expenditure. The Certification Committee laid down the cost structure and it was followed. The pattern of assistance was a margin of 20 per cent for the expenses of the institutions in the production and sales of khadi and for capital formation from production upto retail sale. This was inclusive of establishment.

5.29. The Committee referred to the pattern of assistance for working fund according to which 40 per cent of the estimated value of the retail sales was given and inquired how this was arrived at. The

representative of KVIC stated that it was per year. If, for example, the sales were estimated at Rs 1 crore the Commission should give Rs 40 lakhs. If capital was required it would be 40 per cent of their total retail sales. He admitted that according to their scheme, so far as Sales Depots were concerned they need not put any money of their own but the Commission would go on advancing them 100 per cent. In reply to a question whether 40 per cent was given irrespective of the stocks held by the Depots the witness replied in the affirmative. He added that according to Khadi Scheme the capital available with the Sales Depots was also taken into consideration while making available the funds.

530 After deducting the amount available the balance was given. In that case the Committee inquired whether it would not be better if the assistance was related to the stocks kept rather than to the sales turnover for the whole year so that the assistance was linked not only with the sale in the previous year but also with what was expected to be sold during the current year. The representative of the KVIC agreed that it was a worthwhile suggestion.

531 The Committee recommend that the assistance to the sales organisation should be related to the stocks kept rather than to the sales turnover at the end of the year.

532 The Committee desire that the entire work relating to the working out the scientific basis for the fixation of the Working Fund should be completed without further delay and the result communicated to the Committee.

533 In a written reply to a question whether some institution have obtained according to the formula adopted by the Commission a sum of nearly 50 per cent more than what they were entitled to for Working Capital loans the Committee have been informed (Appendix VII) that sometimes the institution do come into possession of funds larger than all their activities justified. It has however been stated that it cannot be said that they are as high as 50 per cent more than what the Institutions are entitled to. Wherever such excess capital is spotted action is taken to recover the surplus capital from the Institutions.

534 The Committee would like to invite attention in this connection to the following passage in para 11.12 of the Report of the Working Group on Khadi and Village Industries:

"It is obvious from the figures of disbursements of working capital loans that the institutions have, on the basis of the

formula adopted by the Commission a sum of nearly 50 per cent more than what they are entitled to. This position certainly needs looking into."

As there is no mention about this aspect in the comments of the Khadi and Village Industries Commission on the Report of the Working Group (Page 139), the Committee hope that the Commission would look into this aspect so as to reconcile the written reply furnished to the Committee.

5.35. The Committee note, however, that with regard to the observation of the Working Group made in para 11.12 of their Report, the Commission have expressed the view "in any case it appears that the total volume of working capital for production is on the higher side. This problem, however, is being examined by the Working Capital Committee." The Committee trust that the imbalance pointed out by the Working Group will be rectified.

5.36. The Committee referred to the written reply furnished to the Committee in respect of question No. 7(iii) (a) (Appendix VII) and pointed out that the Certification Committee allowed 20 per cent by way of overheads etc. and this figure included an element of interest to the extent of 1 per cent. The Committee desired to know, since a substantial portion of the capital was provided by the Commission, whether any interest was charged by the Commission. The representative of the KVIC stated that "it is a very odd situation. This is the break-up of the All India Charkha Sangh which was having branches all over India. Most of their loans are interest free. In calculation they charge this 1 percent. Out of this 1 percent, they are meeting the Central Office expenditure". He added that the break up of the figures that was given was all right in 1930-36. but today the salaries, rent, provident fund and others, came to 10 per cent. When the Committee pointed out that the figures should be realistic, the witness agreed that they should be revised.

5.37. The Chairman, KVIC added further that 20 per cent was the ceiling that was allowed to be charged by the Institutions. The Certification Committee had also evolved another safeguard. If for example as a result of charging this 20 per cent an institution made some saving, this saving could not be used as an asset to the Institution but had to be spent for the benefit of the spinners and the weavers.

5.38. The Chairman, KVIC stated that the term "cost chart" as it was understood in the organised sector was different. Moreover, they had not set apart any percentage for bad debts. Authority had



been given to write off. He added this is a branch in which we shall have to look it up not from the terms that we use for the organised sector and we introduce some of the healthy elements for bringing about economic discipline. The Committee pointed out that if the accountancy system was properly organised most of these things would automatically come to notice of the Commission and something should be done in this matter since many years have already passed. The witness stated I have no hesitation in agreeing that it is high time that this has to be done.'

539 Asked about the percentage allowed to the Trading Agency for making profits on sales the representative of KVIC stated that there was a production unit to sell the goods to the sales agency. The institution which produced Khadi charges 20 per cent and out of that discount was given for the sales and this was allowed under certification rules. That is why the price at the production level and at the sales level is the same for Khadi."

540 The Committee referred to the Trading Account for 1954-55 according to which the sales were worth Rs. 5.30 crores. The commission discounts etc. allowed was Rs. 30 lakhs and odd and desired to know if this was in addition to the 20 per cent discount which was normally allowed. The witness stated that subsidy was also given. That was an additional item. Asked whether they were giving something in addition to 20 per cent the Chairman KVIC stated "that is true." The discount that was given for sales out of 20 per cent was one portion and the grant or subsidy that was given on production for meeting the loss incentives etc. was another. He added that in the case of cotton khadi a sale rebate of 93 per cent was allowed and on silk at 121 per cent.

541 The Committee are surprised that the Commission should have continued to adopt this formula evolved during 1930-36 which had become completely outmoded and which had no relation to reality. The Committee desire that the position should be examined so as to make the formula realistic on the basis of present day conditions.

542 The Committee drew the attention of the witness to the following portion contained in para 3.15 on page 30 of the Annual Report 1954-55 (Advance copy) of Khadi and Village Industries Commission:

"Especially we would like to draw the attention to the gradual fall in the ratio of percentage of grant to production."

The Committee pointed out that from the percentages that had been worked out on page 35 (item 7-Table 3) of the Report it had

been found that the fall was not gradual. The Chairman, Khadi and Village Industries Commission informed the Committee that the year 1963-64 was the last year of the sales rebate scheme and the year 1964-65 was the first year of the weaving subsidy scheme. At the close of the year 1963-64, sales rebate for the outstanding stocks had been paid.

5.43. The Financial Adviser further added that the Commission had to pay for the rebate on the existing stocks of Khadi because of the change over from one system to another. If the weaving subsidy scheme had not come into being, the sales rebate would have been paid in the normal process over a period of years and the reduction in the earlier two years would have been maintained.

5.44. The Committee drew the attention of the witness to the statement on page 87 (item 4) of the Annual Report, 1964-65 wherein it had been stated that the value of production was Rs. 2273.04 lakhs and enquired as to how it compared with the following figures of value of production that had been shown on pages 81-82 of the Report (paras 12.7, 12.8 and 12.9):

Cotton Khadi  
Woollen Khadi  
Silk Khadi

Rs. 1455.53 lakhs  
Rs. 470.31 lakhs  
Rs. 172.54 lakhs

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Rs. 2098.38 lakhs

5.45. The Chairman, Khadi and Village Industries Commission referred to para 12.6 of the Annual Report and informed the Committee that formerly the label price included 20 per cent more which was subsidised. There was some difference between the label price before the weaving subsidy and after the weaving subsidy. In post 1964 sales, the label price would be minus the weaving subsidy.

5.46. The Committee referred to para 12.21 on page 86 of the Annual Report and desired to know whether the quantum of grant was normal in the case of Village Industries. The Chairman, Khadi and Village Industries Commission, stated that the quantum of grant was comparatively small but not nominal.

5.47. The Committee find from Table 3 (page 35) and Table at page 87 of the Annual Report, 1964-65 of the KVIC, that the value of production and sales has been given under item 6, taking production plus sales as one turnover. Since the Tables give separately value of production and value of sales, the Committee are unable to under-

stand the need for this item. In para 12.23 of the Annual Report, 1964-65, the turnover has been taken as production plus sales. The Committee consider this as misleading. The turnover of an organisation should be the production only to assess the correct achievement. The Committee note that it is not easily possible to have a clear idea of the total value of production of Khadi as against the financial assistance given from the existing Annual Report 1964-65 (Advance Copy) and the tables included therein. In order that the reader may have a clear idea about the achievements of the Commission vis-a-vis financial assistance given by the Government the figures given in the tables and the figures given in the Report itself should not be at variance. In this connection a note explaining item 7 in table 3 of page 35 of the Annual Report 1964-65 and reconciling the figures with the statement made in the para 3.15 of the Annual Report has been received and is at Appendix XL. The Committee are glad to note that in the revised Annual Report, 1964-65, the Tables referred to have been suitably revised.

5.48 At the instance of the Committee another note showing the total value of production of Khadi & Village Industries yearwise and item wise from the inception of the Board/Commission to-date as against the financial assistance given year wise and item wise has been furnished (Appendix XXVI). It has been stated therein that the financial assistance granted by the Commission as well as repayments are not recorded in the Commission's books separately for production and sales. This will however be done from the next year. It is unfortunate that the books of the Commission had not been showing separately the financial assistance granted by the Commission and the repayments, so far. The Committee would like to be apprised of the rectification of this defect.

#### D Working results—Trading Units

##### *Para II(b) of Audit Report*

5.49 During 1963-64 the Khadi trading units of the Commission made a net profit of Rs 11.52 lakhs as against a net loss of Rs 4.27 lakhs during 1962-63. This comprised

- (i) profits of Rs 17.19 lakhs from 18 units (working out to 4.58 per cent of the capital invested). The profits accrued mainly on the A/T Scheme for supply of Khadi for Government requirements (Rs 10.55 lakhs) and on sales in the New Delhi Emporium (Rs 3.64 lakhs), and
- (ii) losses totalling Rs 5.67 lakhs incurred by 12 units (working out to 8.26 per cent of the capital invested). The losses

mainly occurred in Bengal and Assam (Rs. 3.38 lakhs) and in the Cannanore Scheme (Rs. 1.03 lakhs).

The Village Industries trading units made a net profit of Rs. 22,868 as against Rs. 49,418 during 1962-63. This was made up of:—

(i) Profits amounting to Rs. 41,323 from 8 units (working out to 5.49 per cent of the capital invested); and

(ii) loss of Rs. 18,455 incurred in 3 units (working out to 3.23 per cent of the capital invested).

5.50. The details of the results of trading operations of the Commission at the end of the year 1963-64 are given in Appendix XLI.

5.51. The Committee referred to Annexure 'F' (Appendix XLI) (statement giving the results of the trading operations of the Commission at the end of the year 1963-64) to the Annual Accounts of the KVIC for 1963-64 and desired to know why the results of working of many centres (Units) were not given i.e. S. Nos. 4, 5, 6, 7, 9, 10 and 11. The Financial Adviser stated that they were not trading operations proper. They were only given certain advances out of the trading funds for purchase and sale. Asked why in that case, advances were made from the trading fund and why they were included in this statement, the representative of KVIC stated that when Government of India gave funds, and the Khadi & Village Industries Board became the Commission, this fund was called the trading fund. When the State Offices of the Commission had to purchase cotton, money was released from this fund and as and when the loans were given this amount was recovered.

5.52. The Committee desired to be furnished with a note indicating what was the percentage of loss on production and sale in the case of Trading Units in West Bengal and Assam in 1963-64. The note has been received (Appendix XLII).

5.53. The Committee find from the statement furnished that in the case of the Trading Units in West Bengal and Assam the quantum of loss sustained is gradually increasing. The Committee desire that a thorough examination of the working of the Trading Units which are running at losses should be undertaken so that remedial action can be taken promptly to prevent losses. It is needless to point out that the Trading Units should be so run as to make profits. If they fail to do so, the question of closing them down should be examined.

554 No decision on the question of apportionment of the profits arising from Government purchases between the Commission and the Government has been taken so far. Although in para 25 of their 42nd Report (Second Lok Sabha) the Public Accounts Committee of 1961-62 had desired an early decision to be taken in the matter.

555 The Committee had recommended in para 25 of their Forty-Second Report (Second Lok Sabha) that the Government should take an early decision about the apportionment of the trade account. In reply to a question as to the reasons for not taking any action so far on the recommendations made by the Committee of 1961-62 the Committee have been informed in a written reply to Question No. 8(1) (Appendix VIII) that the question was discussed at a meeting by the representatives of the Ministry of Industry, DGS&D, Khadi and Village Industries Commission and Accountant General, Commerce Works and Miscellaneous on 20th November, 1963. It was then decided that the Chief Cost Accounts Officer of the Ministry of Finance should examine this matter and decide in consultation with the Financial Adviser and Chief Accounts Officer of the Khadi Commission the quantum of expenditure that can legitimately be debited to the trading activity of the Commission. The Cost Accounts Officer of the Ministry of Finance visited the Commission's Office for collection of certain information in this regard. He has now furnished his report on which Government has asked the comments of the Commission.

556 The Committee feel perturbed to note that so much delay has occurred in coming to a decision about a simple matter. They would like this matter to be finally settled expeditiously.

557 Asked to explain the surplus of Rs. 10,54,771 shown against A/T Section under 'Central Supply Committee' in the same statement (Appendix XL) in the Accounts the Chairman KVIC stated that this related to the supply of goods to the Government. It was still under dispute as to whether the Commission were entitled to this amount or not. It was the difference between what the Commission paid to the institution and what the Commission charged to Government. The argument of Government was that either the Commission should not charge the Government under the establishment for organising those purchases (as was being done) or that amount should be given to Government.

558 The Committee desire that the point of dispute with regard to supply of goods to the Government should be settled at an early date and the position regularised.

5.59. The Committee referred to the position of unsold stock to the extent of 50 per cent in 1963-64 and desired to know why in that case targets should be fixed at higher level. The Chairman, Khadi & Village Industries stated that this question was being discussed with the Planning Commission. He added "I will assure the Committee that we shall not plunge into increased production unless we have assured that there is market for the goods." He stated further that the Natu Committee report provided for utilisation of percentage of yarn either for reservation articles or for particular varieties which would be covered by the reservation or for some other matters. This might be followed by the Commission.

5.60. The Committee are glad to be assured that the Commission will not plunge into increased production unless they had assured that there was market for the goods.

5.61. The Committee referred to the reply given to Question No. 24(v) (Appendix XXIV) and wanted to know why the sales in Bombay were so meagre. The Committee were informed that there were not the sales of Bombay Gramodyog Bhavan which was not directly under the Commission, but of "Apani Dukan", a small shop in the Commission's own premises. The policy was that where there were institutions capable of selling, the sale was entrusted to them.

5.62. In this connection the Committee find from Annexure K to the accounts that the Director Trading Calcutta held surplus Khadi stocks worth Rs. 9,52,311 both at the beginning and close of the year. Similar was the case with Director, Kakinada the worth of surplus Khadi stock being Rs. 15,05,297.

5.63. The Committee would like the Commission to look into the accumulation of large stocks in the Andhra and Calcutta Emporia at any early date and take suitable remedial measures so that there is no financial loss due to deterioration in the accumulated stock.

5.64. In the table at page 87 of the Annual Report, 1964-65 (Advance copy) of the KVIC, the production in 1961-62 was Rs. 1690 lakhs but sales were Rs. 1877 lakhs. In 1962-63 the production was Rs. 2121 lakhs but the sales were Rs. 2036 lakhs. In 1964-65 the production was Rs. 2273 lakhs and the sales were Rs. 2439 lakhs.

5.65. The Committee pointed out that sales were shown as almost more than the production. But if the figures of stock (Rs. 13.86 crores in 1963-64 and Rs. 11.35 crores in 1964-65) given at page 43 of the Annual Report were taken into accounts, it would appear as

if the Commission were making huge profits. The Chairman, KVIC invited attention to the penultimate line in para 12 10, page 83 of the Annual Report wherein it was mentioned that after making allowance for reduction in sale price the estimated/sales of Khadi in 1964-65 was Rs. 2112 lakhs (equivalent to Rs 2439 lakhs under rebate system and stated that the Table referred to by the Committee only showed comparative functioning between 1963 and 1964-65 and assured the Committee "there is no profit in this business" The Committee suggest that in order to give a clear idea, the statement should include two more items—opening stock as well as closing stock.

5 66 The Committee then referred to para 5 2 page 43 of the Annual Report, 1964-65 wherein it was indicated that stock of Khadi had gone down by Rs 2 51 crores and pointed out that according to the trading account for the year ended 31st March 1965, there was an increase of Rs 1 07 crores. The Financial Adviser promised examine the reasons for this increase and furnish a note to the Committee. It has been stated in a note furnished (Appendix XLIII) that the figures of stocks of Rs 11 35 crores on 31st March, 1965 and Rs 13 86 crores on 31st March, 1964 appearing in para 5 2. on page 43 of the Annual Report of the Khadi & VI Commission for 1964-65 do not include the figures of stocks pertaining to direct trading activities of the Commission.

5 67 The Committee suggest that in future the Annual Report to the Khadi Commission should also include in the statement relating to details of the "disbursements as percentage of turnover", the figures of opening stock as well as closing stock. This will give a clear picture of the correct position.

5 68 The Committee further suggest that the figures of stock of the Khadi shown in the Annual Reports should also include the figures of stock pertaining to direct activities of the Commission.

#### **E Acceptance of balance, reconciliation etc**

##### *Para VI of Audit Report*

5 69 A total amount of Rs 46 53 lakhs has been shown in the accounts as the imprest cash balances as on 31st March, 1964 comprising rebate/subsidy imprest (Rs 38 35 lakhs) Khadi imprest (Rs 0 26 lakh) and Village Industries imprest (Rs 7 92 lakhs). Acceptances of balances have so far (May, 1965) been obtained only in respect of 18 offices out of 72 offices holding the imprest. Besides, the figures of imprest in respect of Khadi & Village Industries as shown in the

accounts do not tally with the figures as separately available on the records of the Commission as shown below:—

	<i>Figures shown in the available accounts</i>	<i>Figures as available on the records of the Commission</i>	<i>Difference</i>
	Rs.	Rs.	Rs.
Khadi	26,218	19,550	(+) 6,668
Village Industries	791,320	9,37,016	(-) 1,45,696

5.70. The Committee have been informed in reply to Question No. 19(i) and 19(ii) (Appendix XIX) that the work of reconciliation taken up in the month of July, 1964 has so far been completed in respect of 38 offices. Six State offices have been closed down and have refunded the imprest balances. The delay in completion of the work of reconciliation is stated to be due to the fact that transactions for all the years upto 1962-63 need to be gone through. The Committee have further been informed that the remaining 28 departmental offices have been impressed upon to expedite the work of reconciliation and confirm the balances. The Committee hope that this work would be completed expeditiously.

#### F. Subsidised Sales of Sub-Standard Khadi

5.71. In reply to Q. No. 23, the Committee have been informed of the position regarding subsidised sales of sub-standard Khadi (Appendix XXIII) referred to in para 10 of the 19th Report of P.A.C. (Third Lok Sabha).

5.72. The Committee referred to the following observations made by the Working Group on Khadi and Village Industries in para 11.85 of their Report on disposal of accumulated stocks of Khadi as also the passage in para 5.6 (page 44) of the Annual Report for 1964-65 of KVIC and desired to know the present position:—

“Since the Public Accounts Committee of Parliament has already criticised the Commission for the transactions in regard to disposal of accumulated stock of Khadi, we do not wish to add anything except highlight some of the very confusing and disturbing factors in this situation.

(i) The Commission does not at any stage seem to have made up its mind one way or other in regard to disposal



of these accumulated stocks, since its decision has varied at every stage of this complicated transaction.

- (ii) It is a matter of regret that for the same goods money has been given more than once which shows a disregard of financial principles and unawareness of public accountability.
- (iii) The impression one gets from the transaction is that the uppermost idea appears to be to avoid losses to the institutions as much as possible.
- (iv) For generations the tradition in the Khadi world has been that the responsibility for the disposal of standard goods has always been with that of the institutions. For the first time in the history of the Khadi movement, an attempt was made to transfer this responsibility to an outside authority and thus deprive the institutions of the initiative to dispose of the goods themselves.
- (v) It is a matter of regret that even now the Commission is not yet out of the woods because about 20 per cent of stocks have yet to be disposed of and nearly 60 per cent of the value of the goods sold to the institutions and the State Boards has not yet been realised by the Commission.
- (vi) The Commission at the initial stage when it purchased the goods and at the ultimate stage when it decided to repurchase the goods and sell them perhaps overestimated its ability to tackle this problem, because soon thereafter the goods had to be given back on both the occasions to the institutions and the State Boards to sell them. This obviously shows that the real responsibility should always remain with the institutions, and the Commission should help in finding markets or in reimbursing losses in genuine cases.

We may be forgiven if we give expression to our view that these transactions are unbusiness like and do not have a parallel in any business organisation."

5.73. The Member Secretary of the KVIC stated that these remarks had been taken into consideration and ultimately it had been decided that this matter "should not be the concern of the Commission and this should be the concern of the institutions to sell their stock." As far as possible the Commission would assist them in selling their stocks.

5.74. The Committee desired to know the loss suffered by the Commission in purchasing goods worth Rs. 1.93 crores. The representative of the Commission stated "Goods were never sold and purchased twice. They (Working Group on KVI) have not understood, the ordinary business method of working and they have come to this conclusion. This is a remark to which we have taken strong exception." He explained the details of transactions as follows:—

"The goods to the tune of Rs. 1.93 crores were with the State Boards and institutions and others which they were not able to market. This Rs. 1.93 crores goods were not all sub-standard; some were standard and some were sub-standard and they could not market. Because of the slump in the market the Commission is duty bound and responsible to take them out from them and come to their rescue. They approached Finance Ministry as well as Government. In the initial stages we estimated sub-standard goods to be about a crore and odd. It was agreed that during Gandhi Jayanti they should give a reduction of 25 per cent in the goods. Finance Ministry said that the total amount of Rs. 36 lakhs will be given to dispose of this sub-standard goods. We got 2 crores and 50 lakhs worth of goods which could not be marketed. Commission came to the rescue of the institution to dispose of this. We have to see that this is disposed of with the minimum of losses and also quickly. You will very well appreciate, the Commission has not got its own bhandars, except 4 in Delhi, Calcutta, Bombay and Madras. It is impossible to sell those goods through these Bhandars. So we must take the help of the institutions which have got their own branches and sales sections. We said after the accounts are checked up with the audit parties we could release money to carry on their programme as liquid capital. Goods were taken over by the Commission. We asked them to dispose it of during the Gandhi Jayanti. We can't give new loans. We asked them to dispose it of. They said they will try their utmost during Gandhi Jayanti. As soon as they sold they paid back the money. There was the financial procedure. Now, an objection was raised that you cannot give on credit. We debited to their accounts. When it came to Rs. 80 lakhs balance which they found they could not dispose of we said we shall take it over. When the goods were sold we credited to their account. No transaction took place; it was book adjustment. Some friends said it is like we purchasing the

goods, then we sell, then we purchase again and sell again. This is not the correct statement. We have not consumed all the money given by the Finance Ministry to dispose of the goods. I think, roughly, it will be about Rs. 30 to 34 lakhs. A suggestion was made at that time that we could take these goods and get it machine printed. It would come to one or one and a quarter anna and they could dispose without loss. They said they cannot use the machines. That is why the processing of dyeing and ready-made and other things were done to dispose of these things to clear things which were of inferior variety. All this Rs. one crore and odd was the accumulation not of one year only but since 1952. I would like to submit again that in 1952 when the Board was created we had 87 institutions producing about 1 crore rupees worth. There was no double payment."

5.75. He added that the only amount considered as loss was Rs. 34 lakhs. In reply to further question the witness stated that first loan was released to the institutions to realise their capital and convert it into liquid capital to carry on their production. The Committee pointed out that the amount of loan was not refunded to the Commission but the goods which were lying with the Institutions were purchased by the Commission.

5.76. The Committee pointed out that according to the reply furnished to Q. No. 23, the loss in the transaction of disposal of Khadi amounted to about Rs. 94 lakhs if the amount realisable (Rs. 99,80,972) was deducted from the worth of the goods (Rs. 1,92,97,357), whereas it was stated now that the loss was about Rs. 34 lakhs. The Committee therefore desired to be informed about the correct position of loss. A note furnished is at Appendix XLIV.

5.77. The Committee were informed that "of the transaction that has taken place which is worth more than Rs. 2 crores, Rs. 93 lakhs or so is the value of the sub-standard cloth."

5.78. It has been explained in the note that sub-standard Khadi stocks of gross value of Rs. 192.72 lakhs were purchased by the Commission for Rs. 129.45 lakhs, the agencies to whom the stock belonged, having scaled down the value of the stocks by Rs. 63.27 lakhs. Out of the stock purchased by the Commission, they have so far sold for Rs. 99.61 lakhs stocks whose purchase value was Rs. 125.58 lakhs incurring a direct loss of Rs. 25.98 lakhs. Stock worth Rs. 3.86 lakhs still remains to be sold. Against the sum of Rs. 37 lakhs sanctioned by the Government of India for disposal of these sub-standard stocks at reduced rates, an expenditure of Rs. 33.98 lakhs has been

incurred so far. This expenditure includes loss of Rs. 25.98 lakhs and loss of Rs. 8 lakhs incurred under the earlier scheme of disposal of such stocks of Khadi through the institutions by allowing reduction in price to be shared on the basis of 50-50 by the Commission and the institution and by grant of additional special rebate.

5.79. The Khadi and Village Industries Commission at page 177 of their "Comments of the Khadi and Village Industries Commission on the Report of the working Group" have stated as follows; in this connection:

"The Commission after a thorough enquiry into these transactions has satisfied itself that there was no double payment. In fact, the Public Accounts Committee has criticised the manner in which the transactions have been effected but did not consider them as malafide. The Commission has however taken adequate steps to ensure that similar instances do not arise in future."

5.80. While it is true that the Public Accounts Committee did not hint at any malafide in this transaction, they would nevertheless point out that the whole transaction certainly does no credit to the organisation. It is clear that there were several changes of policy as regards the authority who would dispose of the sub-standard Khadi and what should be the scheme for the disposal. Ultimately while the institutions scaled down the value of stocks worth Rs. 192.72 lakhs by as much as Rs. 63.27 lakhs, the Commission itself suffered a direct loss of Rs. 25.98 lakhs in disposing of stock worth Rs. 125.59 lakhs. In other words sub-standard Khadi of the gross value of Rs. 192,72,357 (leaving a stock of Rs. 3,85,982) was ultimately sold for Rs. 99,61,291 of which a sum of Rs. 28,25,315 is yet to be realised. The loss so far incurred is Rs. 89.26 lakhs. This indeed is a sorry state of affairs.

#### G. Production of sub-standard Khadi

5.81. In a written reply to a question it has been stated that "it is possible, however, that there might be some sub-standard stocks accumulated subsequently with the institutions. It is a normal feature in any production." The Committee would like in this connection to refer to the recommendations made by the Khadi Marketing Committee as quoted in para 11.79 of the Report of the Working Group on Khadi and Village Industries a part of which is reproduced below:—

"The large accumulation of Khadi stocks was attributed to the following factors:

- (i) the organisation of production on the basis of offering employment to whoever was willing to spin cotton into yarn;

- (ii) a part of the production of yarn was of sub-standard quality, produced by newly recruited spinners and the cloth woven therefrom therefore became unsaleable,
- (iii) inadequate training and supervisory arrangements in connection with the spinning of yarn on the ambar charkha

While the Committee agree that with the increased production of Khadi the possibility of production of sub standard Khadi cannot be completely ruled out, they feel that with proper care and supervision the factors pointed out by the Khadi Marketing Committee can easily be rectified if not eliminated altogether. Since the Commission is stated to have taken adequate steps to ensure that similar instances do not arise in future, the Committee would like to keep a watch over this matter through future Audit Reports.

## H. Exhibitions

582 In reply to Q No 25(i) the Committee have been informed (Appendix XXV) that out of 1627 exhibitions held during the period of First Plan and from the year from 1956-57 to 1963-64 accounts relating to 435 Exhibitions were still awaited. The Committee desired to know the reasons for so much delay in preparing accounts relating to exhibitions held in 1955-56 onwards. The Chairman AVIC stated that one of the functions of the 12 parties proposed to be set up by the Commission vide para 1.28 (p 15) of their Annual Report 1964-65 was to get the back log cleared. When the Committee pointed out that a decade has been taken in preparing the accounts and somebody must be responsible for this the Chairman, AVIC stated that is true.

583 The Committee are distressed to note the abnormal delay (in some cases of about 10 years) in preparing the accounts relating to the exhibitions held long long ago. They suggest that the Commission should take serious notice of such lapses in preparation of accounts. The Committee also note from reply to Question No 25(ii) (Appendix XXV) that a manual of procedure for the conduct of exhibitions financially assisted by the Commission is under preparation. They would like this work to be expedited and steps taken to ensure that the authorities concerned follow the procedure laid down in the manual.

### I. Rents on Buildings

5.84. The Committee enquired whether as the Commission had been paying huge rent on their godowns in Delhi, they should not have their own buildings at Delhi. The Chairman, K&VIC stated "It is our intention to do so."

5.85. The Committee find from a note furnished at their instance (Appendix XLV) that a sum of Rs. 6,77,203.52 is being paid by the Commission as annual rents for the buildings and godowns in Bombay and other parts of the country. Some instances where the rent paid appears to be very high are:

Name of Unit	Annual Rent Rs.
(1) Khadi Gramodyog Bhavan, Calcutta.	.. 59,673.19
(2) Khadi Gramodyog Bhavan, Madras.	.. 47,482.00
(3) Khadi Gramodyog Bhavan, New Delhi.	.. 88,367.30
(4) Director, Kakinada.	.. 66,601.89

5.86. In these circumstances, the Committee would suggest that the Commission might examine the feasibility of having their own buildings in those places where the annual rents being paid by the Commission are high, provided this would prove economical in the long run.

### J. Export of Khadi

5.87. The Committee desired to know whether Khadi was exported. The Chairman, Khadi and Village Industries Commission stated that the present level of organisational efficiency might not cope up with the demand of the export market. The exporting agencies insisted upon 'quality' regulations and 'time'. The witness added "But I do not discard some days when some portion of our stuff could be in demand in the foreign markets, if we can ensure that quality." He added that the Commission was examining on a small scale this particular aspect at the moment.

5.88. In reply to Q. No. 22, the Committee have also been informed (Appendix XXII) that so far as Commission is concerned it has been decided not to enter into fresh commitments for export of Khadi until the Commission is in a position to assure timely deliveries and required quantity to the extent needed in export trade.

5.88. The Committee are of the view that considering the need for earning foreign exchange the Commission should give the question of export of Khadi a careful and urgent consideration.

### K. Import of Wool

589 The Committee desired to know whether wool was imported by the Commission from foreign countries for the purpose of Khadi manufacture. The representative of the Khadi and Village Industries Commission stated that the Commission was getting wool all along from Tibet for border areas. The whole of border areas were formerly depending on Tibetan wool. Now the Commission was not getting wool from Tibet. The Commission had to take to some extent the raw material from outside. They had tried to grade and standardise the wool from Rajasthan but had not so far succeeded.

590 In reply to a question the witness stated that the Tibetan Wool specially went to Kashmir. The spinners and weavers in Kashmir could not do the work with the kind of wool as was available in Andhra, Rajasthan and other places. A certain portion of merino wool had to be mixed up. The witness added that the majority of the production was from the country's wool.

591 The Committee desired to know whether any efforts were made by the Commission for the development of better quality wool. The representative of the Khadi and Village Industries Commission stated that it was outside their purview and the Commission could not do that under the Act. It was under Animal Husbandry Department.

592 At the instance of the Committee a note furnishing the details about import of wool (Appendix XLVI) has been furnished.

593 The Committee note that the Commission are alive to the need for restricting the use of foreign wool in the production of woollen Khadi and the certification Committee have laid down in their resolution that institutions may use Australian or foreign uncarded wool upto the maximum of 20 per cent in weight. The Committee would also like Government to consider ways and means of replacing imported wool by local wool of proper quality as the idea of using foreign wool in the production of woollen Khadi sounds highly incongruous.

### L. Implementation of the Recommendations of the Public Accounts Committee

594 In written reply to Q No. 20(i) about the delay in implementing the recommendations made by the Public Accounts Committee in their earlier Reports (Appendix XA) it has been stated that the delay in furnishing replies is due to the time consumed in obtaining all the relevant figures and facts from the Khadi and

Village Industries Commission (which has, in turn to deal with a large number of institutions throughout the country) processing them, getting them vetted etc. The Committee would like to point out that this is not very convincing as some statements indicating action taken on recommendations made in their Seventh Report presented in March, 1963 were still remaining outstanding in January, 1966. The Committee desire that the information should be furnished more expeditiously, and special attention should be given to this matter so that there is no undue delay.

### M. Ambar Charkha Programme

5.95. The Committee find in the Audit Report, 1965 relating to Madhya Pradesh that under the Ambar Charkha Scheme upto March, 1962, 2,273 Ambar Charkhas valued at Rs. 2.73 lakhs were distributed by the State Board to the spinners on hire-purchase system. 2,066 charkhas valued at Rs. 2.48 lakhs were returned to the Board upto October, 1963 as the spinners had abandoned spinning work. 179 Charkhas (value Rs. 0.21 lakhs) were missing. Out of the total stock of 6,049 charkhas at the end of March, 1964, 2,955 were stated to be unserviceable. 308 Charkhas were remodelled upto March, 1964 at a cost of Rs. 7,160 but none of these had been sold (September, 1964).

5.96. In the opinion of the Committee this is only an illustration of the manner in which the Ambar Charkha programme is working.

5.97. The question of Ambar Charkha programme playing an important part in the production of Khadi has been dealt with exhaustively by the Khadi Evaluation Committee (1960) and the Working Group on Khadi and Village Industries (1964). The Evaluation Committee after reviewing the working of the Ambar programme both in its financial and physical content came to certain conclusions some of which are as follows:

- (i) "Output per ambar is as low as 1.82 hanks per day as against 6 assumed by the Khera Committee.
- (ii) Though the earnings have increased, they have not increased in proportion to the organisational effort and investment.
- (iii) At least 40 per cent of the spinning units are inactive and are an index of so much loss of invested capital and non-utilisation of productive capacity.



- (iv) Increased output per unit has in fact led to embarrassing surpluses of production and the institutions have slowed down the rate of expansion and are displaying considerable amount of reluctance to go ahead with the programme of ambar development
- (v) It is reported that a large number of ambars cannot be plied owing to their being in a state of disrepair and
- (vi) The problem of marketing has assumed serious dimensions and in some cases large stocks of yarn and in others of cloth have accumulated

598 According to the report of the Working Group on Khadi and Village Industries the main reasons for the Ambar Charkhas becoming idle were the following

- (i) Ambar charkhas were distributed without exploring the chances of their successful operation. The importance of making arrangements for repair and service facilities was not realised
- (ii) Ambar yarn was not purchased regularly by the institutions from the spinners. The arrangements for servicing repairs and replacement of spare parts of the ambar charkhas were extremely unsatisfactory
- (iii) During floods the houses of some of the spinners were damaged and so the iron parts of the ambar charkhas were also affected
- (iv) Some spinners felt the ambar charkha particularly the belt very heavy for operation
- (v) Charkhas were distributed in some cases to people who used to earn Rs 15 to Rs 2 a day but they could not earn this much on the ambar charkha
- (vi) Ambar charkhas were distributed to some whose average earnings were about a rupee a day but work was not heavy. Such people did not persevere on ambar charkha because of its heaviness
- (vii) Facilities for plying the ambar charkhas were not available in new villages to which spinners went after their marriage.

5.99. Decisions were taken for the activation and renovation programme of ambar charkhas in June, 1963. According to the Working Group the activation renovation programme has proceeded at an extremely slow pace. Moreover, some of the remodelled or converted charkhas are those which were actually working. "It was wrong on the part of the Commission to have done so when the specific object of the programme was to activate the idle charkhas. As a result, the enthusiasm of the people owning the idle charkhas and who expected them to be activated has flagged. The infection of idle charkha has therefore spread. All these circumstances point to the conclusion that the percentage of idle charkhas far from decreasing has increased."

5.100. The Committee would therefore reiterate the recommendations made by the Working Group that the Commission should undertake immediately a comprehensive census of all the ambar charkhas whether active, idle, lost, destroyed, unserviceable, etc. The Committee are also in agreement with the suggestion made by the Working Group that if an institution is not able to account for an ambar charkha or unable to give information about its whereabouts, serious notice should be taken when considering proposals for assistance for its programme.

Since the Commission have accepted the recommendations of the Working Group, the Committee would suggest that these be implemented early.

#### N. Conclusion

5.101. After a detailed examination of the accounts and audit report of the Khadi and Village Industries Commission and on the basis of the facts placed before them, the Committee feel that a quick and enormous growth in the activities and in the financial outlay without ensuring proper financial and administrative control by the Commission over their own organisation, State Boards, Cooperative Societies and Institutions has resulted in extra expenditure (which runs into crores of rupees), that is not commensurate with the results achieved. The Committee, therefore, would like to refer to the following recommendation made by the Administrative Improvements Committee at page 16 of their Report with which they are in full agreement:—

"We would like to state that after a deep and prolonged thinking over this situation, as it exists, we have come to the conclusion that in the long run, it would be advantageous and economic, if the Commission decides to spend a year or two for consolidating the ground already covered and for developing suitable agencies at the State level, block level

and village level for future development. During this period, the financing could be restricted to the continuation programme already undertaken."

5102. Keeping in view the fact that the Commission have sought a financial allocation of Rs. 270 crores during the Fourth Plan period, the Government and the Commission would do well to accept the recommendation of the Administrative Improvements Committee that the Commission should spend a year or two for consolidating the ground already covered. In the light of this recommendation, the question of suitably reducing the financial allocation during the Fourth Plan period may be carefully examined by Government.

A perusal of the Report of the Administrative Improvements Committee confirms the doubt expressed by the Public Accounts Committee in the past [vide para 62 of 7th Report of P.A.C. (1962-63)] that there was considerable scope for economy in the Administrative Expenditure of the Commission at various levels due to overstaffing. The Committee hope that both the Commission and the Ministry would avoid such overstaffing in future.

5103. The Committee fully appreciate the importance of Khadi and Village Industries in providing much needed employment potential in the rural areas. They are in agreement with the underlying philosophy behind these activities. However, keeping in view the fact that the Central Government has thus far given a huge sum of more than Rs. 170 crores for these activities (in addition to about Rs. 10 crores by the State Governments and in view of the financial allocation of Rs. 270 crores sought by the Commission for the Fourth Plan the Committee cannot over emphasise the paramount need of ensuring proper care economy and financial control over various activities connected with the Commission. The Committee feel that the time has come for the matter to be reviewed by the Central Government at the highest level, to make an overall assessment to see whether the results achieved so far have been commensurate with the financial outlay in terms of production as well as the employment potential generated.

NEW DELHI

April 7 1966

Chairman 17/1883 (Saka)

R. R. MORARKA

Chairman

Public Accounts Committee

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## APPENDICES

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# APPENDIX IA

(See para 1.9 and 1.37)

*Financial Assistance given by the Govt. of India to K.V.I.C.*

(Rupees in crores)

## VILLAGE INDUSTRIES

### KHADI

Total

Subsidy in  
lieu of  
Interest

Loan

Grant

Total

Loan

Subsidy  
in lieu of  
interest

Grant

Year

9

8

7

6

5

4

3

2

1

### (A) KHADI & V. I. BOARD

0-14

0-06

..

0-08

1-40

1-19

0-21

1953-54

1-64

1954-55

2-32

1955-56

4-59

1956-57

2-48

Total for Boards period

6-43

12-23

18-66

2-11

..

2-48

4-59

2-48

..

2-11

18-66

12-23

6-43

2-48

4-59

[illegible]

# APPENDIX IB

(See para 1.11)

Financial Assistance rendered by State Governments. to State Boards  
(In lakhs of Rupees)

State	Grant	Loan
Andhra Pradesh	22.90	..
Assam and Nagaland	69.38	6.15
Bihar	I.N.R.	..
Gujarat	81.69	..
Jammu and Kashmir	3.07	..
Kerala	33.15	2.96
Madras	194.16	180.78
Madhya Pradesh	82.36	..
Maharashtra	122.10	23.49
Mysore	56.96	5.00
Orissa	47.62	0.50
Panjab	20.10	4.00
Rajasthan	33.75	1.10
Uttar Pradesh	4.01	..
West Bengal	34.98	3.00
TOTAL	806.23	226.98

## APPENDICES I—XXV

(See para 114)

GOVERNMENT OF INDIA

### DEPARTMENT OF SOCIAL SECURITY

(Replies to the points on which information was required by Public Accounts Committee for consideration of Audit Report on the Accounts of the Khadi and Village Industries Commission for the Year 1963-64)

#### APPENDIX I

Question No 1—A note detailing the methods of work of the Khadi and Village Industries Commission vis-a-vis the State Boards, Institutions, Co-operative Societies etc to whom grants/loans/assistance is given and the nature of control exercised by the Commission over them may be furnished.

Reply—The Khadi and Village Industries Commission was constituted under the Act of Parliament (Act 61 of 1956). Its functions are defined in Section 15 of the Act. The functions are generally to plan, organise and implement programmes for the development of Khadi and Village Industries. The various schemes of Khadi and Village Industries programmes are executed by the Commission mainly through the following agencies

- (i) Institutions registered under the Societies Registration Act 1860 or any other Law for the time being in force in any State
- (ii) Co-operative Societies, and
- (iii) Statutory State Boards constituted under the Acts of the State Legislatures

Some schemes are also executed directly by the Commission

For executing the schemes the Commission advances loans and grants to the State Boards and the Institutions/co-operative societies subject to the prescribed terms and conditions and Loan Rules



The Statutory State Boards further advance these loans and grants to the institutions and co-operative societies who actually execute the programmes except for the schemes directly executed by the State Boards. The quantum of assistance in the form of loans and grants is determined according to the Patterns of Assistance prescribed for each industry and scheme. These patterns have been revised from time to time where they had been found to be inadequate or out-dated. All the Patterns of Assistance were also revised as suggested by the Estimates Committee of the Lok Sabha 1961-62, after examination by a Patterns Committee which submitted its Report in June, 1963 which was accepted by the Commission in January, 1964. A permanent Patterns Committee has also been constituted to review from time to time the various Patterns of Assistance for considering their adequacy, continuation, utility etc.

### *State Boards*

Substantial financial assistance is granted to the State Khadi and Village Industries Boards constituted in every State. These State Boards are subject to the control of State Legislatures as well as the State Governments to whom the reports of their working are submitted by the State Boards. Some of the programmes are executed by the State Boards directly, but, by and large, the Boards implement such programmes through Co-operative Societies and Institutions. The loans and grants advanced by the State Boards to the institutions/co-operative societies are also subject to the terms and conditions prescribed by the Commission with the approval of the Government of India similar to those prescribed for the Commission.

### *Registered Institutions/Co-operative Societies*

The financial assistance given direct by the Commission to these implementing agencies is also in the form of loans and grants which are subject to the Loan Rules and other terms and conditions as in the case of State Boards. The policy of the Commission has been to gradually finance such institutions and co-operative societies through the State Boards.

The actual procedure followed in phasing the release of financial assistance and controlling the execution of the programmes is as indicated below:

For the purpose of preparing the budget estimates the implementing agencies prepare and send in the previous year their annual programmes for executing the scheme of Khadi and Village Indus-

tries. The forms prescribed by the Commission for this purpose also give information about the past performance in terms of production and sale of Khadi and Village Industries products, employment provided etc. This enables the Commission to see whether the physical targets achieved are commensurate with the financial assistance provided and gives an idea about the capacity of these bodies to execute the estimated programmes. The State Boards especially are also required to furnish information about the financial position of the institutions/societies assisted by them i.e. the number of societies/institutions which are considered to be working satisfactorily, the number of societies/institutions which have become defunct or financially weak etc. These annual programmes and performance reports together with the Balance Sheets position regarding outstanding loans utilisation certificates etc., are subject to detailed examination by the various Directorates of the Commission and discussed by the Commission with the representatives of the implementing agencies. It is only after going through all these processes that the financial requirements for each implementing agency is decided upon for the purposes of making allotment of funds in due course.

After the budget estimates are approved by the Government of India the Commission intimates to the State Boards and other implementing agencies the quantum of assistance in the form of loans and grants allotted to them. The actual release of funds are made by providing these agencies with an Imprest amount to serve as a 'ways and means advance, roughly in the case of State Boards equal to 3 months' requirements. The implementing agencies are permitted to incur expenditure from such Imprests strictly within the allotments communicated to them according to the Patterns of Assistance already mentioned above. The expenditure incurred is recouped every month by the Commission. The procedure ensures that the funds are advanced to the implementing agencies to the extent necessary for immediate expenditure, avoiding unnecessary locking up of funds.

#### Nature of Control exercised by the Commission

One of the conditions of the loans and grants granted to the implementing agencies is that they should make their accounts books and other relevant papers available, as and when required, for inspection by the officers of the Commission deputed for the purpose and/or of the Audit Department of the Government of India.

(a) The accounts of the State Boards are subject to audit by the respective Accountants-General. In recent years the proce-

ture of conducting the study of the working of various State Boards has also been introduced. This study which is in the nature of administrative-cum-accounts-inspection, is conducted by sending special parties under the supervision of Senior Officers of the Commission. If the report of this study team discloses serious irregularities or heavy arrears in accounts and other irregularities the matter is taken up at the highest level. So far, the working of two State Boards was discussed with the Chief Ministers of the respective States with a view to devising ways and means for improving the working. Similar discussions are also intended to be held in certain other cases also.

(b) The accounts of the institutions/co-operative societies directly aided by the Commission are audited by the Internal Audit Wing of the Commission for the purposes of obtaining the utilisation certificates to see that the funds provided have been utilised for the specific purposes for which they have been sanctioned. In addition the accounts of these institutions and co-operative societies are audited by Chartered Accountants and the Auditors of the Co-operative Department of the respective State Governments respectively. The internal Audit Wing of the Commission also conducts special audits of the institutions/co-operative societies whenever there is a need, especially when any adverse reports come to the notice of the Commission. According to the recent instructions issued by the Commission all the directly aided institutions/societies are required to have their accounts audited by the Chartered Accountants who are required to submit these accounts duly certified and with a report on the general financial position of these bodies to the Commission direct. This scheme is gradually intended to be extended in the case of institutions/societies financed by the State Boards also.

(c) The accounts of certain trading activities directly run by the Commission are also subject to audit by the Internal Audit Wing of the Commission and also test-checked by the Accountant General, Commerce, Works & Misc. The Annual Accounts of these trading units are certified by the Director of Inspection and Chief Executive Officer of the Commission and submitted to the Government of India and Audit along with the Commission's annual Accounts.

The Commission also obtains confirmation of loan balances from the various State Boards and directly aided institutions/co-operative societies annually so that the debt owed to the Commission is acknowledged by the loanees. The fulfilment of the terms and conditions of repayment of loans are also watched by the Commission's Office apart from the utilisation certificates which are also

obtained from the aided State Boards, Institutions, co-operative societies etc, and furnished to Audit

The Commission has also prescribed periodical returns to be submitted by the implementing agencies which give a comprehensive picture about the progress of various scheme and achievements in terms of production sale employment etc. Such reports are examined by the respective Directorates of the Commission and further guidance on instructions are given to the implementing agencies to ensure proper and expeditious execution of the various programmes

It will be seen from the above position that the methods adopted and control exercised by the Commission vis-a vis the State Boards, Institutions etc enable the Commission (i) to find out from time to time that the annual programmes of Khadi and Village Industries are as realistic as possible, funds are released only to the extent required for immediate expenditure, the accounts are properly kept, schemes are executed according to the programmes, and (ii) to provide necessary guidance and technical assistance wherever necessary

## APPENDIX II

Question 2(a).—Was it envisaged at any stage that Khadi industry would be able to stand on its own legs in course of time or has it been accepted that this industry would perpetually need financial assistance from Government and in increasing amounts?

Reply.—The programme for the development of Khadi was accepted because of its social and economic significance. It was this consideration that weighed with the Planning Commission in including the development of khadi and other village industries as an integral part of the series of the Five Year Plans, employment being one of the basic objectives of all the plans.

In the strict commercial sense, Khadi has never been conceived to be a self-supporting industry. It cannot compete with the large scale mechanised sector. This industry is spread far and wide in the rural parts. It has necessarily to shoulder some overheads by way of transport of raw materials and finished products. Considering, therefore, the present gap in the cost of Khadi and mill cloth, it may not be possible to eliminate completely the price differential altogether so as to make the industry self-sufficient.

Steps are, however, being taken to create a situation favourable for the reduction in subsidy. These include reservation of spheres, adoption of improved technology in spinning, weaving and other ancillary processes of production. As a result thereof the earning capacity of the artisans is increasing.

The Government intention may also be judged from the fact that certain important subsidies—such as production and sale etc. are sanctioned either on year to year basis or for a limited period subject to review later. This is so done with a view to seeing whether any progressive reduction will be possible.

In this connection attention may be invited to recommendation No. 8 of the Working Group on Khadi and Village industries—an extract from which reads as follows:

Since the traditional industries provide substantial employment opportunities and, therefore must be preserved, we are afraid that the continuance of the rebate of subsidy for reducing the differential

between the price of the village industries products and of the competing small scale or large-scale industries products is unavoidable unless the entire khadi and village industries programme, as pointed out both by Prof Harve and Prof Gadgil is looked upon as a relief and rehabilitation programme for the sustenance on subsistence levels of people who are engaged in these occupations. We of course do not agree with the latter proposition.

Question No 2(b) —A note indicating how far the aim of development of Khadi & Village Industries which has been taken up mainly with a view to provide gainful employment to the under-employed and unemployed population of the rural areas been achieved may be furnished

Reply —It may be seen from the table given below that employment in Khadi & Village Industries has increased from 13.78 lakhs persons in 1956-57 to 25.81 lakhs persons in 1963-64

Employment (000 persons)

	1956-57		1960-61		1963-64	
	Full time	Part time	Full time	Part time	Full time	Part time
Khadi	91.3	789.4	205.9	1508.3	234.9	1625.0
Village Industries	59.9	431.1	118.4	446.0	86.3	635.3
<b>TOTAL</b>	<b>151.2</b>	<b>1220.5</b>	<b>324.3</b>	<b>1954.3</b>	<b>321.2</b>	<b>2260.3</b>

This employment is both part time and full time and in many cases seasonal. Of the total 25.81 lakhs persons employed as on 31st March, 1964, 3.21 lakh persons can be considered as only full time and 22.60 lakhs persons having work opportunities for more than 6 hours a day and for about 200 days a year. In a field like Khadi & Village Industries which is mainly decentralised dispersed and carried on in small individual households it is very difficult to estimate the actual amount of input. What therefore can be considered important is the income derived from a particular activity and to what extent it has supplemented the agricultural income because the Khadi & Village Industries Programme is essentially a subsidiary occupation and only in a few cases like weaving and oil pressing it can be considered as main occupation. Available data relating to

income show a significant trend and it may be said that compared to the agricultural income of a labourer of about Rs. 100 a year, the wages of Rs. 35 to Rs. 100 on a part time seasonal occupation is not a ridiculously low contribution as it is sometimes argued. Even in the case of full time employment where the income range is about Rs. 200 to Rs. 400 per annum cannot be considered as small or insignificant.

### APPENDIX III

Question No 3(a) —Have Government examined the suggestion made by the Public Accounts Committee (1964-65) in para 46 of their 33th Report regarding reservation of spheres of production? If so, what are the decisions?

Reply —The suggestion of the Public Accounts Committee was brought to the notice of the Khadi and Village Industries Commission early in May 1965. The Chairman of the Commission had written a letter to the Prime Minister probably in the capacity of Chairman of the Planning Commission to the effect that certain State policies have crossgrained the programme and the expected development of the programme has suffered a recession. The Khadi and Village Industries Commission's suggestion is under consideration of the Planning Commission and a decision has yet to be taken. (A copy of the letter referred to above is attached)

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#### KHADI & VILLAGE INDUSTRIES COMMISSION IRLA ROAD VILE PARLE,

BOMBAY—56

No CO/43/65

31st May, 1965

My dear Lal Bahadurji,

First of all let me express my heartfelt joy at the way you handled the world affairs in U.S.S.R. It was an impressive fulfilment of Indian Statesmanship at its best since Panditji's demise. May you be spared for the Nation to serve in this way for years and years to come.

2 I am writing this letter over an aspect which is, I know, your deep concern. The Planning Commission is going ahead with its task of preparing the outline of the next Plan. I have been following their pronouncements.

3 While broad strategy, in the Fourth Plan period, will be what they are framing (none can alter the course of the current of economy) I was hoping that the present occasion in the background of past experiences would be utilised to give a turn to the pattern of industrialisation at least in a few fields which would set in motion a new process to balance the current pattern.



4. Panditji in the latter part of his life realised the need for it. Speaking in the Parliament in December 1963 he said "Also, I begin to think more and more of Mahatma Gandhi's approach. It is odd that I am mentioning his name in this connection, that is to say, I am entirely an admirer of the modern machine and I want the best machinery and the best technique, but taking things as they are in India, however rapidly we advance in the machine age and we will do so, the fact remains that large numbers of people are not touched and will not be touched by it for a considerable time. Some other method has to be evolved so that they become partners in production even though the production apparatus of theirs may not be efficient as compared to modern techniques, but we must see that; otherwise, it is wasted. The idea has to be borne in mind. We should think more of these very poor countrymen of ours and do something to improve their lot as quickly as we can. That is troubling me a great deal."

Ultimately, it is a question mostly of the agricultural masses, and I think that agriculture, unless it is allied to some other industry, will often not bring rapid results. I think that animal husbandry is one thing, which has to progress and which can be allied to agriculture".

5. From the news trickling from time to time however the following line the Government of India appears to follow:—

- (i) The Government of India propose to set up some rice Mills.
- (ii) The Government of India has removed the excise on mill oil, of Rs. 20/- per quintal.
- (iii) The Government of India propose to issue licences for setting up six Foot Wear Factories.
- (iv) The Government of India propose to issue new licences for setting up about 20 sugar factories increasing the present crushing capacity of sugar cane from 3.2 million tons to 4 million tons.
- (v) The Government of India propose to issue licences for setting up three Match Factories to produce 45 lakh gross boxes a year.
- (vi) The Government of India propose to set up fifty 25,000 spindles new plants in the spinning sector.
- (vii) The Planning Commission is considering increasing 80,888 Power Looms in the Fourth Plan period.

6 This is all in keeping with the thinking that prevailed so far and I have no desire to find fault with anybody

7 I hear already top people speaking that the country is making satisfactory progress while it is accepted that the problem of unemployment and under-employment is there. They perhaps feel that time will take care of it. I do not know if it is realised that the 'Time Factor' is against a country that takes a complacent view of unemployment and under-employment.

8 I can understand the Government's inability to remedy the situation overnight. But it passes my comprehension how it will benefit the Nation to undertake a programme of displacing people from their traditional avenues of employment which the installation of additional Rice Mills, Footwear Factories, Sugar factories, Match Factories, Power looms would naturally result in. The present price structure has already reduced whatever viability was there in these trades. But one has to understand the justification for the steps enumerated above. That will surely cause displacement.

9 Six months back I had volunteered before the Planning Commission that notwithstanding the recommendations of the Working Group which had suggested normal increase in the Khadi and Village Industries Programmes, we would try to see if we can raise our targets of employment and wages making at the same time the Khadi and Village Industries programmes more economic by introduction of new techniques and use of power. Accordingly we have now revised the targets. We think the commission can work for a hundred per cent increase in employment with nearly 33 per cent increase in the per capita wage at a 17 per cent lesser subsidy and all this at a per capita outlay of Rs. 600 or so, half of it being in the shape of loan. We estimate it will be possible to provide employment to about 45 lakhs of people under the auspices of this Body.

10 But my difficulty is that having planned for all that, and perhaps through the kindness of the Planning Commission and the Government of India having secured all the necessary help, would the steps that the Government of India propose to take not result in neutralising the efforts of the Khadi and Village Industries Commission. The recent regulations in relation to movement and sale of paddy have affected our centres in a way very few can imagine. Out of the 1,000 handpounding working centres, 200 centres have been affected. The removal of excise on mill oil has affected 17,500 ghanies out of 38,000 working ghanies. The reduction of excise on footwear manufactured by the large scale producers may bring their great

powers of competition and even exploitation to the very doors of the small producers who effect nearly 90 percent of the total production. The additional rice milling capacity that the Government wishes to build up in the large scale sector, the new licences that the Government propose to issue for the manufacture of sugar plants, the power-looms, match production etc., will not be without their repercussions on the small scale producer.

11. You will understand our predicament. We are preparing a plan for employment to about 45 lakhs people (20 lakhs additional at higher wages). We are anxious, however, if we will not be faced with a problem of displacement in the field we are working.

12. It is, in my opinion, very much necessary to be clear about this point. People like us are interested in work that would help the lower strata of the society, improve the status of the people engaged in this field and relieve the social strain in consequence of unemployment and under employment. There is no desire to stand in the way of the Planning Commission and the Government of India to follow their own policies. But both the Planning Commission and the Government of India would accept the need to be clear in face of seeming contradiction in fairness to themselves, to the constructive workers and most of all to the producer and the society. It is necessary to prevent confusion, save the Government's resources from being spent in contradictory directions, prevent a bad name being given to the decentralised sector, save to the artisan a little money that he contributes on investment after the cottage and village industry and save the time and energy of the public and private citizens alike on what may be rendered to be fruitless activity.

13. I hope you will look into the matter. There is no doubt in our mind as to how your mind is working. We do not wish to put any additional strain upon you except knowing the mind of the Planning Commission and the Government of India on this subject since it has relevance to the masses of people with whom we are concerned and have daily to deal with. The destiny of these people is dependant on the general approach of the Government and hence this request.

Yours sincerely,  
Sd/-  
(U. N. DHEBAR)

Shri Lal Bahadur Shastri,  
Prime Minister of India,  
NEW DELHI.

Question 3(b) —In para 126 of their 167 Report, the Estimates Committee (1961-62) recommended as follows —

It was suggested to the Committee that the Commission should confine its activities to the provision of financial assistance, technical and economic research and major policy issues and leave the actual implementation of the programme to other agencies. The Committee agree with the above suggestion and recommended that the Commission may be reorganised suitably to serve the purposes now envisaged."

The Government replied as follows —

The Government agree with the Estimates Committee's recommendation in principle. However, the Khadi and Village Industries Commission will continue to undertake the work of implementing different developmental programmes in certain areas directly till a suitable organisational and administrative machinery is evolved in all the States."

What is the present position in this respect?

Reply—The Khadi and Village Industries Commission is gradually taking steps towards the transfer of the institutions on its list to the State Boards where they are organised on a sound footing. In pursuance of this policy, all the institutions and Cooperative Societies in the Gujarat State have been transferred to the State Khadi and Village Industries Board. The Commission Trading Centres in Andhra, West Bengal and Madhya Pradesh have also been transferred to the respective State Boards. The functions of the State offices of the Commission in Madras and Maharashtra are likely to be transferred to the State Boards in the near future.

## APPENDIX IV

(See para 5.1, 5.17, 5.20)

*Question 4(a).*—How far is it considered desirable to grant subsidy to the Commission towards interest on loans obtained by that body from Government?

*Reply.*—The Khadi and Village Industries institution work on 'no profit, no loss' basis. The Commission, therefore, does not charge any interest on loans advanced for the development of Khadi. The loans for the development of village industries are also interest free except in case of Working Capital loans which carry interest at  $2\frac{1}{2}$  per cent on the amounts remaining unpaid at the end of the second and subsequent years.

The Commission charges lower rates of interest and in some cases no interest at all, from the institutions as stated above, whereas the Commission receives loans from the Government at comparatively higher rates. In view of this fact, it is considered desirable to grant subsidy to the Commission towards interest on loans obtained by it from the Government so as to compensate the loss to the Commission in giving loans at lower rates or charging no interest at all in some cases.

*Para (i)—Receipts and Payments:*

*Question 4 (b).*—During 1962-63 a sum of Rs. 27.55 crores was paid to institutions/State Boards etc. by the Commission whereas during 1963-64 the amount was Rs. 23.78 crores. What are the reasons for this decrease?

(c) Institutions/State Boards repaid loans amounting to Rs. 13.37 crores in 1962-63 and Rs. 10.77 crores in 1963-64. Are the Institutions/State Boards required to pay interest on the loans? If so, do these amounts include interest also?

(d) Refunds and repayments of loans are allowed to be retained by the Commission and not required to be refunded or repaid to the Government. What are the special reasons for following this procedure?

(e) During 1963-64 the Budget Estimates for Khadi and Village Industries were as follows —

	(Rs in Lakhs)		
	Original	Revised	Govt Sanction
Khadi		800 00	1068 82
Village Industries		550 00	361 00
<b>TOTAL</b>		<b>1350 00</b>	<b>1429 82</b>

(i) What are the reasons for such wide variations between the original and revised estimates and the Government sanction? What are the reasons for Government sanction being in excess of original/revised estimates?

(ii) Have any steps been taken to improve budgeting techniques?

Reply 4 (b) —The decrease in disbursement in 1963-64 as compared to that of 1962-63 was due to the strict measures taken against the Institutions/Societies which were in default in repayment of loans. Clearance of all overdues was insisted upon before releasing any further funds unless the failure to clear them was fully justified. More emphasis was given on detailed scrutiny about the availability of funds for particular levels of turnover capacity of the Institutions/Societies to expand the activities, etc. before sanctioning further funds. The decrease in disbursements during 1963-64 was thus not due to any curtailment of activities.

(c) The loans for Khadi & Village Industries are interest free except the loans for 'Working Capital' (now working Fund) under village Industries which carry interest at 2½ per cent from the third year. The loans repaid amounting Rs. 13.37 crores in 1962-63 and Rs. 10.77 crores in 1963-64 do not include this interest. The interest received is separately classified in accounts under 'Grants' and passed on to the Government of India every year.

(d) Section 18 of the Khadi & Village Industries Commission Act, 1956 provides that the Commission will have two separate Funds called the Khadi Fund & Village Industries Fund to which all grants and advances by the Central Government and all receipts of the Commission should be credited. It will thus be seen that the Act contemplates funding of all the grants and loans received from the Government and also the Commission's Departmental receipts. The disbursements are made by the Commission out of these 2 Funds.

The procedure of not refunding the receipts (except interest received) to the Government of India, but utilising them for further disbursements, was accordingly considered and decided at the Inter-Ministerial Meeting held as early as on 22nd December, 1956 where representatives of Audit were also present.

(e) (i)

*Khadi*

The correct revised estimate under 'Khadi' should be Rs. 908.82 lakhs and not Rs. 874 lakhs as stated in the question. Reasons for variations between original and revised estimates and Government sanction are given below:—

In its proposal for the Budget Estimates, 1963-64, the Commission had proposed a sum of Rs. 941.45 lakhs under Khadi Grant. But, the Commission did not furnish full details in support of its requirements. In view of this and keeping in view the necessity for economy by keeping the expenditure to the absolute minimum during the National Emergency, an amount of Rs. 530 lakhs only was sanctioned by the Finance Ministry under 'Khadi Grant' in the Budget Estimates 1963-64. This provision was, however, made on an *ad-hoc* basis. It was also felt by the Ministry of Finance while examining Budget Estimates 1963-64 that certain proposals of the Commission (for which the Commission had provided for in Budget Estimates) were not then ripe enough for making suitable provision in the Budget Estimates. The provision asked for by the Commission was, therefore, subject to review, if necessary, at the time of making provision in the Revised Estimates for 1963-64 when the actual tempo of Commission's activities relating to Khadi Development in the latter half of the year could be assessed in a more realistic way. At the time of Revised Estimates for 1963-64, the Commission had proposed a sum of Rs. 887.78 lakhs net from Government (Rs. 947.78 lakhs minus Rs. 60 lakhs on account of Commission's receipts) under Khadi Grant. The administrative Ministry had recommended a sum of Rs. 760 lakhs i.e. an increase of Rs. 230 lakhs against a provision of Rs. 530 lakhs in the sanctioned Budget Estimates for 1963-64. This was considered necessary and reasonable after taking into consideration only such of factors as were likely to affect the Revised Estimates under Khadi Grant i.e. additional rebate on the sale of woollen and rebates on Cotton sales for additional period of 45 days apart from the usual Gandhi Jayanti period etc. Certain other proposals, such as free Weaving Subsidy, were still under discussion and had not reached a stage of Commitment to the year's provision of funds. The Ministry of Finance, however, restricted the provision to

Rs 708.82 lakhs under Khadi Grant based on the actual expenditure available at that time and basing the anticipated expenditure on the past actuals

While the proposal for Revised Estimates 1963-64 was still under consideration by Finance we were required to send the proposals for Supplementary Grant (February 1964 Batch) (to our Budget and Account Section by 8th January 1964 at the latest) which we could give only provisionally based on the figures of Rs 727 lakhs under Khadi Grants as originally suggested by Finance (That was later decided at Rs 708.82 lakhs) Thus it may be seen that in proposals for supplementary grant 2/64, we could not go beyond what was finally agreed to by Finance i.e. Rs 708.82 lakhs

It was only in the second week of March, 1964 i.e. after we had communicated the firm provision in R.E. 1964-65, that the Commission's request in its communication dated 4th March, 1964 to the Government for an additional amount of Rs 160 lakhs under Khadi Grant was received by Government. For this additional requirement of Funds by the Commission we approached our Budget and Accounts Section and the Finance Division who advised us that no funds were available for re-appropriation to meet the Commission's requirements for additional funds. This fact was communicated to the Commission. The Government of India was no doubt examining in 1963-64 certain important proposals of the Commission, such as Free Weaving Subsidy, Subsidy on Ghani Oil etc. But decision could not be reached for various reasons till late in the year 1963-64. In the absence of a firm decision even at the time of finalising the Revised Estimates 1964-65 provision in Revised Estimates could not be made. In fact, the decision on Free Weaving Subsidy was proposed to be implemented only in 1964-65. But the Commission was insistent and pressed Government in March 1964 that the Scheme should be accepted by Government without any further delay so that the Scheme could be inaugurated on 6th April, 1964 itself. This decision was taken in the last week of March, 1964 and carried with it a substantial financial commitment by way of settling subsidies and rebates to institutions to avoid any confusion and to set the stage for change-over.

The above decision was taken in the last week of March 1964 after a meeting with the Commission's representatives. Immediately after this decision the additional requirements of Rs 160 lakhs under Khadi Grant was reiterated by the Commission and its proposal was received by us only in the last week of March 1964 stating that the expenditure on rebates and subsidies was a committed expenditure and its non payment would involve looking up of the



Institutions' funds which would in turn affect their programme under the revised scheme. The Commission was insistent that these commitments were met before the introduction of the Free Weaving Subsidy Scheme.

It was not possible for Government to meet the additional requirements of Rs. 160 lakhs by re-appropriation or from any other source and as the additional expenditure was required to be met urgently before the close of the financial year 1963-64, the drawal of an advance of Rs. 160 lakhs from Contingency Fund of India was inescapable necessity.

The above facts were brought to the notice of A.G.C.W. & M. on 9th February, 1965.

#### *Village Industries:*

Due to the enforcement of stricter financial control and the drive for recoveries of overdue instalments of loans and unspent grants from the State Boards/Institutions and Societies, additional departmental receipts were expected and consequently the net requirements from Government were reduced at the stage of Revised Estimates when compared with original estimates.

The figure of Government sanction is less by Rs. 20 lakhs as compared to the Revised estimate. It may be stated that sanction for the balance of Rs. 20 lakhs under V.I. loans was received by the Commission after the close of the year. Hence the amount could not be drawn from Audit Office.

Question 4 (e) (ii).—Have any steps been taken to improve budgeting techniques?

Reply.—The budget estimates of the Commission are framed by taking into account the following factors:

1. The Five Year Plan of the Commission and the provision made therefor by the Government.
2. The programme decided to be implemented by various implementing agencies viz. State Boards, Registered Institutions and Co-operative Societies.

The first factor needs no elaboration. As to the second, while finalising the detailed programme of execution, the Commission keeps in mind the capacity of the various agencies and the programme to be implemented during the particular year under the

Five Year Plan and the funds likely to be allotted by the Government for the purpose during the year

The Budget Estimates of the Commission for a particular year really depend on the second factor viz the programmes to be implemented. With a view to determining the programmes for the ensuing year and the funds estimated to be required therefor the State Boards and Institutions are asked to furnish sufficiently in advance details about their demands as also their past performance in respect of various schemes already financed. The data required to be furnished by the State Boards/Institutions along with the demands are fairly exhaustive giving a clear and comprehensive picture about their past performance capacity to implement the programme proposed by them the availability of technical managerial and other personnel with them. The State Boards and Institutions are also required to give their latest balance sheets and final accounts which enable the Commission to know their financial position.

2. Meetings are arranged between the Commission's representative and those of State Boards and major institutions wherein realistic programmes are sought to be arrived at by discussion. Now the Commission considers simultaneously the total demands for all the schemes in a year instead of considering piecemeal applications for funds for each scheme. Under the revised arrangements the Commission knows while considering the demands the financial position of the institutions and their performance under the various scheme sanctioned to them, which is admittedly an improvement. This system is also advantageous to the State Boards and Institutions in as much as they are assured in advance of the schemes/proposals accepted by the Commission thus enabling them to complete all preliminaries for the implementation of the schemes at the commencement of the year itself.

3. Another change brought about under the revised procedure is that when it is agreed to allot certain units of production and sale the entire amount provided in the approved patterns is not automatically sanctioned but only such portion of the amount which is likely to be actually spent during the ensuing year is taken into account. This helps in ensuring that the budget estimates of the Commission are as realistic as possible.

4. In this connection mention may be made of the Imprest System. Instead of releasing funds as hitherto for each approved proposal scheme wise budget allotments are now issued. Amounts aggregating to 25 per cent of the overall budget allotments are given

as an 'imprest' to State Boards which are only recouped on receipt of schemewise monthly statements of expenditure against allotments. Similarly, imprests aggregating to 50 per cent and 75 per cent of the over all budget allotments are given for major and minor institutions respectively. As a result of this system (i) The State Boards/Institutions get necessary funds so as to allow implementation of the programme avoiding at the same time collection of large unspent balances, (ii) maintenance of regular and proper accounts is rendered obligatory, (iii) the Commission becomes concurrently aware of the progress of scheme-wise expenditure and (iv) prompt submission of Utilisation Certificates is ensured.

## APPENDIX V

(See para 223 225 226 229)

### Para I (ii) Administrative expenses

Question No 5(a) —The administrative expenses during 1963-64 were Rs 157 crores against the disbursement amounting to Rs 27 25 crores as compared to the expenses of Rs 1 47 crores during 1962-63 against the disbursements amounting to Rs 31 44 crores. What are the reasons for the rise in administrative expenditure during 1963-64 even though the disbursements fell by about Rs 4 crores?

Reply —The Commission discharge several functions besides disbursing the moneys to the State Boards and institutions. It is a multipurpose body with diverse types of functions such as purchase and supply of raw materials production and manufacture of tools and implements training and research etc. It is responsible for supplying technical personnel to new institutions and it has to organise sales also. The question of expenditure has to be looked at from this realistic angle. Disbursement of finance is not the only function at the Commission.

Normal increments and increase in pay due to promotions payments of arrears increase in D.A. arrears of C.P.F. etc due to revision/refixation pay pay and special allowances to staff in the newly opened Hill and Border Area offices other contingency expenses such as purchase of vehicles etc may be mentioned as some of the reasons which contributed to the increase in administrative expenditure during 1963-64.

It may also be appreciated that the administrative expenditure during a particular year cannot directly be linked with the amounts disbursed during the year in as much as the other related aspects like follow up of programme audit and other connected matters will have to be taken into consideration.

The Commission is however mindful as to the needs of economy in administration. With this objective in mind an Administrative Improvements Committee was set up by the Commission. The recommendations made by the Committee are under implementation. The various measures taken with a view to cut down administrative expenditure have been enumerated in reply to Question No 5(b) (ii).

Question No. 5 (b).—The P.A.C. (1962-63) in para 62 of their 7th Report had observed with regard to administrative expenditure that there was further scope for economy and suggested that a further review of work-load in various sections should be made.

The P.A.C. (1963-64) were informed that in order to locate where economy can be effected the break up of expenditure on administrative staff, audit etc. is being collected and studied [Action taken on S. No. 55 Appendix III, 7th Report (Third Lok Sabha) page 73, 26th Report].

(i) Has the study of the break up of expenditure on administration since been completed?

Reply.—An administrative Improvement Committee was appointed by the Commission in March, 1964 to study the administrative machinery with a view to suggesting measures for economy and efficiency etc. Copies of the report submitted by the administrative Improvement Committee have been furnished *vide* reply to question No. 5 (b) (iv). The work regarding implementation of the various measures recommended by the Committee has commenced and various steps suggested are being implemented. Steps already taken to effect economy have been mentioned in detail in reply to question No. 5 (b) (ii).

Question No. 5 (b) (ii).—What concrete steps have been taken to effect economies in administrative expenditure?

Reply.—The following steps have so far been taken to effect economies in administrative expenditure.

- (i) A ban has been imposed on the creation of new ministerial posts and also on their filling up.
- (ii) No provision is made in the budgets for posts which were lying vacant.
- (iii) An administrative Inspection Party has been set up for examining the work-load of the Sub-Offices and as per their recommendations 24 surplus posts have been abolished since April, 1964.
- (iv) The Commission has taken a decision to gradually transfer the functions of its State Offices to the respective State Boards. Accordingly, the State Offices, in Gujarat and

B'har, have been transferred and as a result 149 posts have been abolished. The transfer of functions of two more State Offices to the State Boards is being finalised which will further reduce administrative expenditure

- (v) An Administrative Improvements Committee was constituted for reviewing the work load etc., and its report which contains suggestions for reduction of administrative expenditure is being implemented
- (vi) The services of all ministerial staff appointed after 1st October 1964 and found surplus have been terminated.
- (vii) Orders have been issued which would ensure reduction of expenditure on T.A. and Contingencies.

Question 5(b) (iii) —The strength of the officers and staff of the Commission has gone upto 5231 in 1963-64 from 4330 in 1960-61. If more and more responsibility is being taken over by State Boards and Institutions why has there not been a proportionate reduction in staff and administrative expenditure?

Reply —It may be pointed out in this connection that the State Boards were so far in a formative stage and before they could take up the full responsibilities the Commission is perforce required to discharge its functions and responsibilities. The functions, *inter alia* are purchase and supply of raw materials manufacture of tools and implements training and research, supplying technical personnel to new Institutions ensuring production besides disbursing funds to Institutions and State Boards. The Commission also has to help in organising sales

The Commission has been striving its best to effect economy in administrative expenditure. With this aim in view, an Administrative Improvements Committee was set up by the Commission. It has submitted its Report and its recommendations are under implementation. The several steps taken so far for effecting economy in administrative expenditure have been enumerated in reply to Question No 5(b)(ii). The present strength of the staff is 5096 despite increase in production and sales between 1960-61 to 1964-65 approximately

	Production	Sales
Khadi	50%	71%
Village Industries	45%	54%

Question No. 5 (b) (iv).—Has the Committee set up by the Commission to study the administrative machinery and suggest economy and efficiency submitted their report? If so three copies of the same may be furnished.

Reply.—Three copies of the report of the Administrative Improvements Committee are furnished herewith (not printed).

Question No. 5 (b) (v).—Has the Commission set up in each State "a Branch Office, manned by a Director with adequate Ministerial and Technical Staff?" Category-wise strength of each office and the expenditure incurred on each office during each of the last five years may be furnished. What functions are performed by these offices *vis-a-vis* offices of the State Boards?

Reply.—For implementing its developmental schemes, the Commission is assisted by State Offices, manned by Directors with necessary staff.

(2) There was no organisational or constitutional link between the Commission and the State Boards. The schemes for the development of Khadi and Village Industries are required to be executed in close co-operation with the State Boards. The State Offices, therefore, largely function as a liaison between the State Khadi and Village Industries Boards and the Commission, as well as between the major institutions and the Commission. For fulfilling their responsibilities in this connection they utilise the industry staff placed at their disposal and also secure expert advice/guidance from the Industry/Programme Directors and Technical Officers of the Commission and make it available to the State Boards. The Directors in the States also attend the meeting of the State Boards. Thus they constitute an important link between the Commission and State Boards at the State level.

(3) As stated in the reply to Question 5(b) (ii), the Commission has already taken action to gradually transfer the functions of the State Offices to the respective State Boards.

(4) A statement showing the category-wise strength of each State Office and the expenditure incurred on each State Office is enclosed.

*Annexure to reply 15 (b) (c)*

**STATL OFFICE, KASHMIR**

Sr No	Designation	Number of Posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1	Director	1	1	1	1	1
2	Managers		2	2	2	2
3	U D C	2	2	2	2	2
4	Auditor II	1	1	1	1	1
5	Cashier	1	1	1	1	1
6	L D C.	3	2	3	3	3
7	Peon	1	1	1	1	1
8	Watchman	1	1	1	1	1
TOTAL		10	11	12	12	12

*Expenditure incurred*

1959-60	1960-61	1961-62 <sup>1</sup>	1962-63	1963-64	Total
A	A	32,241 84	27,357 94	34,623 09	94,232 87

NOTE —HA—Figures for 1959-60 and 1960-61 are not readily available.



## STATE OFFICE, ASSAM

Sr.No.	Designation]	Number of posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1.	Asstt. Director	1	1	1	1	1
1-A.	Head-Clerk	..	1	1	1	1
2.	Superintendent	..	..	..	1	1
3.	U.D.C.	..	1	1	4	4
4.	Steno typist	..	1	1	1	1
5.	Peons	..	2	2	3	3
6.	Regional Organizer	..	..	1	1	1
7.	L.D.C.	..	..	2	8	8
8.	Investigator-II	..	..	..	1	1
TOTAL :		1	6	9	21	21

## Expenditure incurred

1959-60	1960-61	1961-62	1962-63	1963-64	Total
A	A	11,943.36	39,617.89	51,733.24	1,03,294.49

A :—Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE, WEST BENGAL

S No	Designation	Number of Posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1	Director	1	1	1	1	1
2	Asstt Director	1	1	1	1	1
3	Head Clerk	1	1	1	1	1
4	Technical Asstt II	4	4	4	6	6
5	Statistician	1	1	1	1	1
6	U D C.	5	7	9	8	8
7	Inspector					
8	Auditor					
9	Stenotypist	1	1	1	1	1
10	L.D C.	7	8	8	10	10
11	Asstt Inspector					
12	Asstt Accountant				1	
13	Chowkidar	1	1	1	1	1
14	Peon	4	4	4	4	4
15	Supervisor IV	1	1	1	1	1
16	Auditor-II	2	2	4	3	3
17	Supervisor V	1	1	1	1	1
18	Asstt Tech. Organizer			2		
19	Regional Organizer			1	1	1
20	Sweeper			1	1	1
21	Accountant				1	1
22	Eco Investigator II				1	1
TOTAL		30	33	41	44	43

## Expenditure incurred

1959-60	1960-61	1961-62	1962-63	1963-64	Total
A	A	1,32,003 96	1,53,309 17	1,78,800 64	4,64,113 77

A. —Figures for 1959-60 and 1960-61 are not readily available

## STATE OFFICE, BIHAR

Sl. No.	Designation	Number of posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1.	Dy. Zonal Director	1	1	..	1	1
2.	Asstt. Director	1	1	..	1	1
3.	Head Clerk	1	1	1	2	1
4.	U.D.C.	3	2	7	9	11
5.	L.D.C.	9	13	14	15	15
6.	Steno-typist	1	1	1	1	1
7.	Peon	3	3	4	4	4
8.	Supervisor—IV	1	1	1	1	1
9.	Supervisor—V	1	1	1	1	1
10.	Watchman	..	..	4	2	2
11.	Auditor—II	..	..	1	1	1
12.	Daftary	..	..	1	1	1
13.	Tech. Asstt. (Cotton)	..	..	..	1	1
14.	Sweeper	..	..	..	1	1
15.	Investigator—II	..	..	..	..	1
16.	Asstt. Superintendent	..	..	..	..	1
TOTAL		22	25	36	41	44

Expenditure incurred					Total
1959-60	1960-61	1961-62	1962-63	1963-64	
†	†	1,10,761.92	1,07,559.02	1,35,337.79	3,53,658.73

† Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE, LUCKNOW

Sl No	Designation	Number of posts					
		1959-60	1960-61	1961-62	1962-63	1963-64	
1	2	3	4	5	6	7	
1	Director	1	1	1	1	1	
2	Asstt Director	2	2	2	2	1	
3	Head Clerk	1	2	2	2	2	
4	Tech Asstt —II	4	4	4	6	6	
5	Statistician	1	1	1	1	1	
6	U D C.	22	13	11	13	13	
7	Inspector	2					
8	Auditor	2	2	6	4	4	
9	Steno-typist	1	1	2	2	2	
10	L D C	30	21	24	25	25	
11	Asstt Inspector	2					
12	Asstt Accountant						
13	Driver	1	1	1	1	1	
14	Chowkidar	2	1	2	2	2	
15	Peon	5	4	5	6	6	
16	Supdt	1	1	1	1	1	
17	Supervisor—II	2	2	2	2	2	
18	Regional Organiser		3	2	2	2	
19	Supervisor—IV		2	17	17	1	
20	Supervisor—V		32	17	17	17	
21	Daftary			1	1	1	
22	Asstt Supervisor				1	1	
23	Econo Investigator—II				1	1	
TOTAL		1	79	93	101	107	90

## Expenditure incurred

1959-60	1960-61	1961-62	1962-63	1963-64	Total
†	†	2 53 481 91	3 06 665 00	3 16,213 48	8 76 360 39

† Figures for 1959-60 and 1960-61 are not readily available

## STATE OFFICE, MAHARASHTRA

Sl. No.	Designation	Number of posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1.	Director . . . . .	1	1	1	1	1
2.	Asstt. Director . . . . .	1	1	1	1	1
3.	Head Clerk . . . . .	1	2	1	1	1
4.	Asstt. Technical Organiser . . . . .	1	1	1	..	2
5.	Tech. Asstt.—II . . . . .	4	4	4	4	1
6.	U. D. C. . . . .	1	9	8	8	7
7.	Inspector . . . . .	..	..	..	..	..
8.	Auditor . . . . .	..	..	..	..	..
9.	Steno-typist . . . . .	1	1	1	1	1
10.	L.D.C. . . . .	4	16	10	9	11
11.	Asstt. Inspector . . . . .	..	..	..	..	..
12.	Asstt. Accountant . . . . .	..	..	..	..	..
13.	Chowkidar . . . . .	1	1	1	1	1
14.	Statistician . . . . .	1	1	1	1	1
15.	Peon . . . . .	3	4	3	4	3
16.	Supervisor—IV . . . . .	1	1	1	1	1
17.	Auditor—II . . . . .	3	3	4	3	4
18.	Supervisor—V . . . . .	1	1	1	1	1
19.	Asstt. Supdt. . . . .	..	..	..	..	..
20.	Tech. Asstt. II . . . . .	..	..	..	..	..
21.	Reg. Organiser . . . . .	..	..	..	..	..
22.	Accountant . . . . .	..	..	..	..	..
23.	Sweeper . . . . .	..	..	..	..	..
24.	Eco. Investigator—II . . . . .	..	..	..	..	..
TOTAL . . . . .		24	47	39	42	38

## Expenditure incurred

1959-60	1960-61	1961-62	1962-63	1963-64	Total
†	†	90,073.37	92,551.02	91,211.57	2,73,835.96

† Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE PUNJAB

Sl No	Designation	Number of posts					
		1959-60	1960-61	1961-62	1962-63	1963-64	
1	2	3	4	5	6	7	
1	Director	1	1	1	1	1	
2	Asstt Director	1	1	1	1	1	
3	Accountant	1	1	1	1	1	
4	Head Clerk	2	2	2	2	2	
5	Production Organizer		18				
6	Texture Improvement Officer						
7	Sales Organizer						
8	Khadi Stock Officer						
9	Statistician	1	1	1	1	1	
10	U D C	7	11	12	13	20	
11	Sr Cashier	1	1	1	1	1	
12	Inspector						
13	Auditor						
14	Auditor—II	2	2	6	4	4	
15	Steno-typist	1	2	2	2	2	
16	L D C	16	2	21	22	22	
17	Asstt Inspector						
18	Asstt Accountant						
19	Driver	1	1	1	1	1	
20	Daftary	1	1	1	1	1	
21	Chowk dar	1			2	2	
22	Peon	5	5	5	5	5	
23	Sweeper	1	1	1	1	1	
24	Supervisor—IV	2	2	2	2	2	
25	Supervisor—V	2	2	2	2	2	
26	O S D		1				
27	Tech Asstt I	4	4	4	5	5	
28	Regional Organizer			1	1	1	
29	Eco Investigator—II				1	2	
TOTAL		50	59	65	69	77	

*Expenditure incurred*

5-60	1960-61	1961-62	1962-63	1963-64	Total
†	†	1 56,245 37	1 84 102 86	1 82 351 06	5 31 699 29

† Figures for 1959-60 and 1960-61 are not readily available

## STATE OFFICE, ANDHRA

Sl. No.	Designation	Number of posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1		3	4	5	6	7
1.	Director . . .	1	1	1	1	1
2.	Asstt. Director . .	3	3	2	2	1
	Asstt. Accounts Officer	..	1	1	1	1
4.	Regional Organiser (for Dyeing & Printing Work) . .	1	1	1	1	..
5.	Superintendent .	2	2	2	2	2
6.	Head Clerk . .	5	5	5	4	4
7.	Asstt. Technical Organiser (Wool) . .	1	1	1	1	1
8.	Office-in-charge .	..	..	..	..	..
9.	Inspector-cum-Auditor	..	..	..	..	..
10.	U.D.C. . . .	23	24	24	17	17
11.	Steno-typist . .	2	2	2	1	1
12.	Cashier Jr. . .	1	1	1	..	..
13.	Peon . . . .	8	6	10	3	3
14.	Watchman . .	1	1	1	1	1
15.	L.D.C. . . .	25	26	26	17	17
16.	Area Organiser .	3	3	3	3	3
17.	Auditor—II . .	4	5	6	6	6
18.	Driver . . . .	1	1	1	1	1
19.	Sr. Inspector . .	..	..	1	1	1
20.	Technical Asstt. II .	..	..	3	4	4
21.	Sweeper . . .	..	..	2	1	1
22.	Eco. Investigator-II .	..	..	..	2	2
TOTAL .		81	83	93	69	67

*Expenditure incurred*

1959-60	1960-61	1961-62	1962-63	1963-64	Total
†	†	1,38,558.94	1,79,190.60	2,40,569.41	5,58,318.95

† Figures for 1959-60 and 1960-1961 are not readily available.

## STATE OFFICE, RAJASTHAN

Sl. No.	Designation	Number of posts				
		1959-60	191960-61	61-62	1952-63	1963-64
1	2	3	4	5	6	
1.	Director	1	1	1	1	1
2.	Asstt. Director	1	1	1	1	1
3.	Head Clerk	1	1	2	2	2
4.	Tech. Asstt. II	4	4	4	4	4
5.	Statistician	1	1	1	1	1
6.	U.D.C.	3	7	8	13	13
7.	Inspector	..	..	..	..	..
8.	Auditor	..	..	..	..	..
9.	Steno-typist	1	..	..	..	..
10.	L.D.C.	6	9	12	13	13
11.	Asstt. Inspector	..	..	..	..	..
12.	Asstt. Accountant	..	..	..	..	..
13.	Chowkidar	1	1	2	2	2
14.	Peon	1	3	5	5	5
15.	Supervisor-IV	2	2	2	2	2
16.	Auditor-II	2	2	5	4	4
17.	Supervisor-V	2	2	2	2	2
18.	Driver	1	1	1	1	1
19.	Stenographer-II	..	2	2	2	3
20.	Daftary	..	..	1	1	1
21.	Asstt. Organiser (I.D.P.)	..	1	1	1	1
22.	Accountant	..	..	1	1	1
23.	Cashier-cum-Store-Keeper	..	..	1	1	1
24.	Eco. Investigator-II	..	..	..	2	2
25.	Senior Inspector	..	..	..	..	1
26.	Sr. Inspector (Weaving)	..	..	..	..	1
27.	Sr. Inspector (Spinning)	..	..	..	..	1
28.	Weaving Inspector	..	..	..	..	2
29.	Spinning Inspector	..	..	..	..	2
30.	Saranjam Inspector	..	..	..	..	2
TOTAL		27	37	52	59	69

## Expenditure incurred

1959-60	1960-61	1961-62	1962-63	1963-64	Total
†	† 1,04,278.15	1,45,509.61	1,72,618.95	4,72,406.71	

† Figures for 1959-60 and 1960-61 are not readily available.



## STATE OFFICE, MYSORE

Sl. No.	Designation	Number of Posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1.	Deputy Zonal Director	1	1	1	1	1
2.	Asstt. Director	1	1	1	1	1
3.	Head Clerk	1	1	1	1	1
4.	Asstt. Tech. Organiser (Wool)	1	1	1	1	1
5.	Tech. Assistant—II	5	5	5	6	6
6.	Statistician	1	1	1	1	1
7.	U.D.C.	3	8	8	9	9
8.	Inspector	..	..	..	..	..
9.	Auditor	..	..	..	..	..
10.	Steno-typist	1	1	1	1	1
11.	L.D.C.	5	7	7	8	8
12.	Asstt. Inspector	..	..	..	..	..
13.	Chowkidar	1	1	1	1	1
14.	Peon	3	3	3	3	3
15.	Supervisor—IV	2	2	2	2	2
16.	Auditor—II	6	6	6	8	8
17.	Supervisor—V	2	2	2	2	2
18.	Eco. Investigator—II	..	..	..	1	1
TOTAL		33	40	40	46	46

*Expenditure incurred*

1959-60	1960-61	1961-62	1962-63	1963-64	Total
†	†	1,22,752.46	1,66,963.78	1,90,623.41	4,80,339.65

† Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE, MADHYA PRADESH

Sl. No	Designation	Number of Posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1	2	3	4	5	6	7
1	Dy Zonal Director	1	1	1	1	1
2	Asstt Director				1	1
3	Head Clerk	1	1	1	2	2
4	P.A to Member in-charge	1	1	1	1	1
5	Senior Inspector (production for Surguja Area)	1	1	1	1	1
6	Tech Assistant—II	2	2	2	2	2
7	Economic Investigator—II				1	1
8	Statistician	1	1	1	1	1
9	U D C.	6	6	8	9	9
10	L D C	9	9	9	11	8
11	Peon	4	4	4	4	3
12	Chowkidar	1	1	1	1	1
13	Steno-typist	1	1	1	1	1
14	Auditor—II			2	1	1
15	Driver	1	1	1	1	
TOTAL		29	31	33	38	33

*Expenditure incurred*

1959-60	1960-61	1961-62	1962-63	1963-64	Total
†	†	81,140 24	98 996 03	1,06 240 32	2 86 476 59

† Figures for 1959-60 and 1960-61 are not readily available

## STATE OFFICE, GUJARAT

Sl. No.	Designation	Number of Posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1.	Dy. Zonal Officer . . . .	..	1	1	1	1
2.	U.D.C. . . . .	..	1	4	5	7
3.	L.D.C. . . . .	..	3	5	4	10
4.	Peons . . . . .	1	1	2	2	2
5.	Asst. Tech. Organiser . . . .	..	..	1	1	1
6.	Head Clerk. . . . .	..	..	1	1	1
7.	Tech. Assistant-II . . . . .	..	..	..	1	2
8.	Statistician. . . . .	..	..	1	1	1
9.	Stenographer II . . . . .	..	..	1	1	1
10.	Cashier . . . . .	..	..	1	1	1
11.	Watchman . . . . .	..	..	..	..	1
12.	Economic Investigator II . . . .	..	..	..	..	1
		..	6	15	18	29

*Expenditure incurred*

1959-60	1960-61	1961-62	1962-63	1963-64	Total
A*	A*	Rs. 20,533.85	Rs. 81,835.41	Rs. 1,45,449.3	2,47,818.57

NOTE:—A\* Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE, KERALA

Sl. No	Designation	Number of Posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1.	Dy. Zonal Director	1	1	1	1	1
2.	Head Clerk . . .	1	1	1	1	1
3.	U.D.C. . . . .	3	3	4	7	7
4.	Steno-typist . . .	1	1	1	1	1
5.	L.D.C. . . . .	3	3	5	7	7
6.	Peon . . . . .	2	2	2	2	2
7.	Watchman . . . .	1	1	1	1	1
8.	Tech. Assistant (common)	..	..	1	1	1
9.	Auditor-II	..	..	..	1	1
10.	Econo. Investigator-II . . .	..	..	..	1	1
		12	12	16	23	23

*Expenditure incurred*

1959-60	1960-61	1961-62	1962-63	1963-64	Total
A	A	37,679.37	60,198 75	1,01,501.93	1,59,380.05.

A:—Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE, MADRAS

Sl. No.	Designation	Number of posts				
		1959-60	1960-61	1961-62	1962-63	1963-64
1.	Director	1	1	1	1	1
2.	Asst. Director	1	1	1	1	1
3.	Head Clerk	1	1	1	1	5
4.	Tech. Asst. II	4	4	4	4	1
5.	Statistician	1	1	1	1	8
6.	U.D.C.	4	8	8	8	1
7.	Cashier	1	1	1	1	..
8.	Inspector	..	..	1	1	1
9.	Stenotypist	1	1	1	1	15
10.	L.D.C.	8	14	13	13	..
11.	Asst.	..	..	..	..	..
12.	Asst. Accountant	..	..	..	..	1
13.	Chowkidar	1	1	1	1	4
14.	Peon.	4	4	4	4	2
15.	Supervisor-IV	2	2	2	2	2
16.	Supervisor-V	..	2	2	2	1
17.	Auditor-II	..	..	4	4	1
18.	Superintendent.	..	..	..	..	1
19.	Daftry.	..	..	..	..	2
20.	Economic Investigator-II.	..	..	..	..	..
		29	41	45	45	48

## Expenditure incurred

1959-60	1960-61	1961-62	1962-63	1963-64	Total
A	A	1,10,482.89	1,13,061.88	1,39,485.61	3,63,330.38.

A: Figures for 1959-60 and 1960-61 are not readily available.

## STATE OFFICE, BHUBANESHWAR

Sl No	Designation	Number of Posts			
		1959-60	1960-61	1961-62	1962-63 1963-64
1	Director			1	1 1
2	Asstt Director			1	1 1
3	Head Clerk			1	1 1
4	Steno-typist			1	1 1
5	Peon			1	2 2
6	Watchman			1	1 1
7	UDC				4 4
8	LDC				5 5
9	Engr Investigator-II				1 1
				6	17 17

*Expenditure in rupees*

1959-60	1960-61	1961-62	1962-63	1963-64	Total
A	A	5,456.73	40,935.82	70,521.08	1,16,913.63

A—Figures for 1959-60 and 1960-61 are not readily available

Questions No 5(b) (vi) —The Co-ordination Committee constituted by the Commission had decided in November 1959 that in regard to Village Industries the Commission should deal with all Institutions both old and new invariably through the respective State Boards.

Has this decision been implemented? If so what economy in staff has been effected as a result thereof?

Reply—The Co-ordination Committee consisting of the representatives of the All India Khadi & V I Board, State Boards and Institutions at its meeting in November 1959, had recommended that in regard to Village Industries other than Khadi the Commission should deal with the Institutions both old and new, invariably through the respective State Board. The recommendation could not be implemented as such a step could need much spade work and creation of conditions for smooth and efficient functioning

Meanwhile, the conference of the representatives of State Boards\* held at Jaipur in November 1960 recommended that in the case of Village Industries also, the Commission might directly deal with such of the old Institutions in whose cases dealt with directly in respect of Khadi, since financing of the same Institution by two separate agencies raised difficulties in the matter of financial control, utilisation certificates, etc.

The Commission at present deals with certain old Institutions and certain selected ones directly both in regard to Khadi & Village Industries but the Policy has been to gradually finance them through the State Boards.

As regards the issue of effecting economy reference is invited to the reply to Q. No. 5(b) (ii).

Q. No. 5(b) (vii).—It has been stated in Para 3:26 (Page 30) of the report of the working group that there are as many as nearly 70 committees under the Commission.

(a) A list of those 70 committees indicating their functions may be furnished.

(b) Since when each committee is functioning? What is the strength of each Committee (Showing separately the number of Officials and non-officials)?

Reply:—The Report of the Working Group refers to “nearly 70 Committees”. Actually there were 69 Committees of the Khadi & Village Industries Commission. A statement is attached showing the details of all these 69 Committees.

The Government of India had already suggested that for reasons of economy it might be examined whether any reduction in the number of Committees was possible. This was done and as a result the number of Committees was eventually reduced to 16.

*Statement showing the names of various Committees (constituted by the Commission), their terms of reference and split up of their strength into officials and non officials*

Sl No	Name of the Committee	Functions	Since when functioning	Strength	Official	Non-Official
1	2	3	4	5	6	7

**1 Services Board**

To advise the Commission on matters relating to the requirement of the employees of the Commission, (ii) To advise the Commission on qualifications and arrangements for in service training of the employee of various categories under the Commission, (iii) To select by a Juristic in it, interview or other means consider ed suitable, employees required by the Commission with a starting salary of Rs 275/- per month and above, (iv) To advise the Commission when required to do so, on all matters relating to the service conditions, discipline, punishment and other cognate matters in respect of the employees of the Commission, (v) To render advice on all such matters relating to service conditions as may be referred specifically to the Board for such advice



2.	Training Committee	3-4-1957	13	2	11
	(i) To examine proposals for the organisation of training in respect of industries falling within the purview of the Commission.				
	(ii) To advise the Commission about the location of training institutions.				
	(iii) To advise the Commission regarding qualifications of the staff of the training institutions.				
	(iv) To examine the syllabus for various courses proposed to be started at different training institutions.	28-10-63	8	4	4
3.	Permanent Patterns Committee.				135
	Terms of reference of the Committee shall be to review from time to time the various patterns of assistance available for Khadi & Village Industries from the point of view of their adequacy, continuation and utility and to examine such cases which involve deviation from the prescribed patterns and make suitable recommendations.				
		27-5-63	12	1	11
4.	Weaker Sections Committee				
	(i) To prepare programmes for development of Khadi and Village Industries for the benefit of the Weaker Sections of the community ;				
	(ii) To suggest patterns of development for the above programme;				

(iii) To guide supervise control and from time to time review the progress in the execution of the above programme

2	3	4	5	6	7
5	Certificate on (including the State Level)	Committee the State	(i) To frame rules for the grant of certificates for the production and sale of Khadi (ii) To fix the scale of fees for grant and renewal of such certificates (iii) To constitute committees at State Level to perform its duties and exercise power delegated by the Certification Committee (iv) To issue certificate where necessary in consultation with the State Level Committee (v) To arrange for the recovery of fees and their transmission to the Commission (vi) To check compliance with the conditions prescribed under the certification rules	10	10

6 Leather Advisory Committee To advise the Commission about the formulation and working out of the procedure 24-1 1958

grammes for the development of flaying, tanning and Leather Industry and in particular :

- (i) to scrutinise the annual budget prepared by the Director-in-charge of the Industry and of the schemes included therein,
- (ii) to recommend to the Commission State-wise allocation of funds in the light of the potentialities for such development in different States, and
- (iii) to draw up for consideration of the Commission new schemes falling within the scope of the Commission's programme.

3-4-1957

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7. Co-operative Advisory Committee (Terms of reference for this Committee may be widened, if necessary).

8. Calcutta Bhavan Committee
- To advise the Commission regarding matters pertaining to the organisation, financing and supervision of co-operative societies for various village industries including Khadi.
- To recommend to the Commission improvements in regard to general management of the emporium, (ii) to discuss comments and suggestions from individuals and bodies and recommend suitable measures to the Commission wherever necessary to do so in view of local public opinion, (iii) to suggest ways and means

13-8-1958

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1	2	3	4	5	6	7
9	Madras Bhavan Committee	Do	13 8-1958	8	3	5
10	Goa Bhavan Committee	(i) To recommend to the Commission improvements in regard to general management of the emporium, (ii) to discuss comments and suggestions from individuals and bodies and recommend suitable measures to the Commission wherever necessary to do so in view of local public	im-25-11-1963	11	2	9

to increase sales and the popularity of the emporium, (iv) to pay visits to the emporia (by surprise or by appointment) and record opinion in a special book maintained for the visits of the members. These opinions and suggestions may be discussed in the subsequent meetings and results of the Committee's deliberations indicated to the Commission by the Chairman of the Committee for further action, if any, (v) to work as liaison between the emporium and the public in regard to public relations, (vi) to invite important persons to the emporium, to receive them at the emporium and show them round the departments of the emporium in cooperation with the work of the Committee.

opinion, (iii) to suggest ways and means to increase sales and the popularity of the emporium, (iv) to pay appointment emporia (by surprise or by appointment) and record opinion in a special book maintained for the visits of the members. These opinions and suggestions may be discussed in the subsequent meetings and the results of the Commission's deliberations indicated to the Commission by the Chairman of the Committee for further action, if any, (v) to work as liaison between the emporium and the public in regard to public relations, i.e. to invite important persons to the emporium, to receive them at the emporium and show them round the departments and work of the Committees.

Do.

13-8-1958

3-4-1957

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3-4-1957

11. Delhi Bhavan Committee .

12. Economic Research Committee.

13. Khadi Saranjam Committee

To examine from time to time the economic aspects of the programme of the Commission for different village Industries including Khadi and to offer advice regarding specific economic problems referred to it by the Commission.

(i) To laydown specifications for Khadi Saranjam consisting of various implements used for the production of Khadi, (ii) to arrange trials of various imple-

1	2	3	4	5	6	7
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ments and make suitable recommendations to the Commission about their efficiency (iii) to advise the Commission about the planned production of Saranjam so as to ensure adequate supply of quality products (iv) to examine and make recommendations regarding grants for experiments in Khadi (v) to advise and/or undertake such functions as the Commission might assign in connection with its scheme(s) if and when formulated, for reward of prizes for improvements in the existing saranjam and/or components thereof or techniques relating thereto

# 11 Film Advisory Committee

(i) To examine expenditure proposals for Film Section 3.4.1957

(ii) To examine proposals regarding the detailed programme prepared by the Film Sections and to advise the Sections regarding the implementations of the proposals,

(iii) To examine proposals from the Section regarding the purchase of equipments

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22-7-1963

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3-4-1957

(iv) To deal with other cognate matters in connection with audiovisual instructions.

(i) To assist in organising inland and foreign exhibitions in a planned way essentially from the education point of view. (ii) To secure statistical data in regard to the progress recorded by the various industries and to publicise these through big and small exhibitions to be organised from time to time.

(iii) To illustrate through the exhibitions to be organised in schools and colleges the importance of khadi and village industries in national economy. (iv) To illustrate through exhibitions to be organised in villages how best khadi and village industries could be correlated with agriculture with a view to improving the over all economic conditions of village people. (v) To devise and suggest through demonstrations and exhibitions to Sales Bhandars the various methods of display of goods at economic space and cost.

(i) To suggest the scope of research and to lay down the policy for research of its application to the programmes of the Khadi & Village Industries Commission.

(ii) To coordinate the functions relating to research undertaken in the various industries under the programme of the

15. Exhibition Committee

16. Research Committee

1	2	3	4	5	6	7
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Commission and to advise the Commission on the further action to be taken on these matters

(iii) To examine and scrutinise all schemes proposed by the Research Institute and place them before the Commission for approval and to advise the Commission generally about these schemes, suggesting additions and alterations where necessary

(iv) To examine and scrutinise proposals pertaining to research except economic research in cooperation and to advise the Commission suitably in regard to such proposals

(v) To scrutinise the quarterly and six monthly progress reports of the research institute and send them to the Commission for its comments

(vi) To give technical guidance to the Commission on the matters referred to it for advice in regard to research work, and

(vii) To recommend priorities for research of the schemes which may be referred



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31-12-1962

to the Research Institute before they are sanctioned by the Commission.

The Committee shall advise the Commission, *inter alia* on the following matters relating to its khadi development programme :—

# 17. Khadi Advisory Committee

1. Maintenance of close and constant touch with workers connected with Khadi institutions and State Boards.

2. Study of the difficulties and problems of Khadi institutions and State Boards with regard to any of the below mentioned subjects and rendering assistance in their solution.

- (a) Arrangements for supply of kapas, cotton and other raw materials.

- (b) Arrangements for manufacture and supply of Saranjam spare parts etc.

- (c) Arrangements for the training of workers and instructors for spinning, weaving, sales etc.

- (d) Organisation of Weaving Centres afforded free Weaving facilities.

- (e) Arrangements for the provision of funds for production and marketing.

1	2	3	4	5	6	7
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(f) Arrangements regarding rates of spinning, weaving etc., prices of cotton, yarn and cloth and establishment charges

(g) Arrangements for meeting the Khadi requirements of villages covered by production centres as also of handlooms and empotias in towns and cities and for organising regular supplies to outside centres and

(h) Arrangements for collection of statistical and other data regarding wages, cost of production, sales etc

18 Power Committee (P).

(i) To examine, subject to the general consideration prescribed by the Commission, proposals for the use of power in the processes or operations relating to any of the programmes under the purview of the Commission and to submit its recommendation to the Commission for consideration and acceptance

27-5-1963 2 1 5

(n) To recommend whether, before permitting use of power in any process or operation for any industry under the Commission

sions' purview, field experiments should be undertaken and if so the nature of such field experiments and the conditions under which they should be undertaken.

(iii) To consider proposals for the decentralised generation of power for use in village industries.

(iv) To formulate and recommend schemes for the provision of arrangements for training persons in rural engineering where required in collaboration with other educational agencies.

(v) To advise about all cognate matters in relation to the foregoing items.

To advise the Commission on various matters connected with the implementation of the Khadi & Village Industries Commission's programmes of integrated development of rural areas, comprising the Gram Ekal, the Intensive Area Scheme, the work in Community Development Blocks and Gramdan Villages.

19 Integrated Development  
Programme Advisory  
Committee (P).

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27-5-1963

(i) To advise the Bombay Suburban Village Industry Association for export of Khadi entrusted to it by the Commission.

20 Export Advisory Committee  
(P).

(ii) To keep the Commission informed about the progress of this work, and

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(iii) To generally advise the Commission in problems connected with the export of Khadi & other products of Village Industries

27.5.1963 8 2 7

21 Khadi Wool Committee (P)

To advise the Commission regarding all matters pertaining to the development of Woollen Khadi Industry

22-6-1957 8 1 7

22 Technical Advisory Committee for Gur and Khuntri

(i) To suggest technical improvement in the implements used in each of these industries

(ii) To advise the Commission about the research work in connection with these industries especially at centres established by the Commission

(iii) To communicate its views on matters relating to technical improvement and extension referred to it by the Commission, or by the Director of various village industries

(iv) To advise on the extent of the technical improvement effected in each industry

(v) To consider the scheme for extension and technical improvement in respect of each

of these industries and give its report on such measures.

23	Technical Advisory Committee for non-edible Oil & Soap Industry.	Do.	27-5-63	6	3	3
24	Technical Advisory Committee for Village Pottery Industry.	Do.	Do	5	1	4
25	Technical Advisory Committee for Lime Stone Industry.	Do.	Do	6	3	3
26	Technical Advisory Committee for Bee-Keeping.	Do.	28-10-63	5	4	1
27	Publication Advisory Committee (P)	(i) To advise the Commission about its programme of publications. (ii) To offer suggestions about the Commission's publicity work. (iii) To help in bringing about coordination in the publicity work of the Commission and other agencies including the State Khadi & Village Industries Boards.	Do	8	5	3
28	Committee for Development of Village Industries programme (P).	(i) to advise the Commission on all matters of policy that may be referred to the Committee regarding formulation and implementation of the schemes of Village Industries;	3-4-57	9	1	8
			22-7-53	11	..	11

(ii) to advise on arrangements for supply of raw materials required for the various Village Industries

(iii) to advise on arrangements for manufacture and/or supply machinery and other equipments required for the various Village Industries

(iv) to suggest measures for better marketing of village industries products and for that purpose to advise on the question relating to monopoly purchase of village industries products, price reference etc

(e) to advise on the best methods of liaison with the State Boards and the Institutions engaged in the field of Village Industries and on agencies that may be set up for the coordination of work relating to village industries

(f) To advise on matters of coordination with the other All India Boards such as the Handloom Board, the Silk Board, the Coir Board etc. The Committee may ordinarily meet once in three months

To advise the Commission on all matters relating to its development programme of Khadi Silk

30	Technical Committee for Handpounding of Paddy and cereals Industry (dis-solved).	To recommend to the Commission improve-ments in regard to general management of the emporium, (ii) to discuss comments and suggestions from individuals and bodies and recommend suitable measures to the Commission wherever necessary to do so in view of Local public opinion, (iii) to suggest ways and means to increase sales and the Popularity of the emporium, (iv) to pay visits to the emporia (by surprise or by appointment) and record opinion in a special book maintained for the visits of the members. These opinions and sugges-tions may be discussed in the subsequent meetings and the results of the Commission deliberations indicated to the Commission by the Chairman of the Committee for further action, if any, (v) to work as liaison between the emporium and the public in regard to public relations, i.e. to invite important persons to the emporium to receive them at the emporium and show them round the departments of the em-porium in cooperation with the work of the Committees.	30-9-63	5	4	1
31	Gobar Gas Committee (P)	Do.				
32	Committee for Rajasthan Border Arcas.	To advise the Commission in respect of its development programme to be undertaken in the border areas of Rajasthan.	26-1-64	11	1	10

### 33 Cotton Purchase Advisory Committee (P)

- (i) To aid and assist the Commission on the policy issues relating to the purchase of cotton, for the purchase of which the responsibilities lie on the Commission
  - (ii) To aid and assist the Commission on the arrangements to be made to make such purchase
  - (iii) To aid and assist the Commission on the terms on which the purchases should be made
- 15-2-60
- This committee shall also aid and assist the Commission in,
- (i) Determining the policy on which the State Board and the institutions should be permitted to make purchase of their cotton requirements, the conditions they should fulfil, and the extent to which they should be so permitted,
  - (ii) In regulating supervising and guiding the institutions in making such purchase,
  - (iii) Determining the method and manner of advancing loans to the State Boards and the Institutions for making such purchase

15-2-60

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34	Cotton production Advisory Committee (Since dissolved).	The functions of the Committee shall be to advise the Commission on all matters relating to the production of the types of cotton required for spinning on the traditional and Ambar Charkhas in different areas either under the direction of or with the aid from the Commission . . . . .	4	1	3	27-5-63
35	Dyeing and Printing Advisory Committee (Abolished).	To consider programmes to be undertaken in respect of dyeing and printing of Khadi with the aid of the Commission and to advise the Commission about the implementation of such programmes . . . . .	9	1	8	25-12-57
36	Technical Advisory Committee for Palangur (Since dissolved).	(i) To suggest technical improvement in the implements used in each of these industries. (ii) To advise the Commission about the research work in connection with these industries especially at centres established by the Commission . . . . . (iii) To communicate its views on matters relating to technical improvement and extension referred to it by the Commission, or by the Directors of the various village industries.	5	2	3	27-5-63
37	Technical Advisory Committee for Handmade Paper Industry.	(i) To suggest technical improvement in the implements used in each of these industries. (ii) To advise the Commission about the research work in connection with these industries, especially at centres established by the Commn.				



40.	Committee for disposal of sub-standard goods (Temp.) (Not functioning).	To decide all matters regarding the schemes of sub-standard Khadi goods.	24-6-63	5	3	2
41	Committee for purchase of cocoons for North (P). (Dissolved)	To regulate and effect purchase of cocoons so as to ensure proper investment of the Commission's finances.	28-8-63	7	3	4
42	Committee for purchase of cocoons for south (Dissolved).	Do.	28-8-63	5	3	2
43	Advisory Committee for the Commission's Programme in Himachal Pradesh (Dissolved).	To advise the Commission on all matters relating to development of its activities in Himachal Pradesh.	28-8-63	12	1	11

- 44 Committee for working Capital for Khadi (Temp.)
- Terms of reference of the Committee shall be to review the basis and the arrangements available at present for sanctioning loans for working capital for khadi (including loans for purchase of cotton, wool, cocoons etc.) and suggest whether any modification is necessary in the procedure for payment of such loans and the patterns of assistance, taking into consideration among others, the volume of working capital normally required (i) to be held in liquid assets such as cash, deposits in banks, etc. for meeting current needs such as payments wages, of salaries etc., (ii) for stocking raw materials such as cotton, wool, cocoons, dyes and chemicals, etc., and (iii) for

processing semi-manufactured goods (including A.T. supplies) such as yarn cloth etc

To advise the Commission in respect of its programmes to be undertaken in the Haryana in order areas of Uttar Pradesh Division

28 10-63 7 3

25 11-63 14 13 11

(a) Assessing the extent of Khadi work done so far by the various agencies in the Maharashtra State (b) examining the problem faced by them, (c) exploring further possibilities of development of Khadi work in the State, and (d) preparing and recommending to the Commission detailed proposals for development of Khadi work in the State

26 1-64 3 1 2

The terms and reference of the Sub Committee—(a) The Sub Committee shall examine the possibility for research work on ambar charkhis in the south in conjunction with Sitra (b) If the Sub Committee comes to the conclusion that there is a possibility of such research work it will prepare a broad outline of the proposals for setting up a suitable research centre and submit

47 Committee for examining and advising the Commission on the possibility of setting up a research centre for Ambar Charkhis at Coimbatore (Temp)

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proposals to: the Research Committee of  
the Commission for consideration. . . 29-2-1964

48 Committee to determine the  
transfer of staff to State  
Board (Temp.).

The terms of reference of the Committee shall be to determine, in consultation with each State/Industry and Programme Director, the technical and field staff that should be retained by the Commission in each State and the staff that should be transferred to the respective State Board. The Committee shall be guided by the following principles in formulating its proposals:

(1) Generally the functions of the Commission's State offices shall be confined to matters relating to training, research (including demonstration and experiments) and expert advice and those of the State Boards, to planning and organisation of programmes, grant of financial assistance and field level work.

(2) In the case of the State Boards found to be doing satisfactory work the Commissions' activities should be restricted to the minimum.

To study working of the Commission's organisation and its administrative machinery, both at the headquarters and at the state level.

49. Committee to examine the working of the organisation, administrative set up etc. (Temp.) Report submitted.

24-3-1964

1	2	3	4	5	6	7
50	Committee for Border Area in Gujarat State	To advise the Commission in respect of the development programmes to be under taken in the Border Areas of Gujarat	23 5 1964	11		11
51	Committee for Border Area for Kutch	To advise the Gujarat Border Area Committee	"	3		3
52	Committee for Border Area of Banaskanth Dist	To advise the Gujarat Border Area Committee		3		3
53	Cocon Purchase Committee (North) (P)	Functions defined in the resolution	29-6-1964	16	2	14
54	Committee for undertaking Experiments on hand looms and other accessories (Temp)	To undertake experiments on handlooms and its accessories with a view to developing more production and efficient implements	29-6-1964	6		6
55	Committee for West Bengal Border Area	To advise the Commission in respect of its development to be undertaken in the border areas of West Bengal	30-7 1964	14	2	12
56	Sub Committee for Evaluating the training of Gram Sahayaks in Vidyalayas and in fields (Temp)	Terms of Reference (1) To examine the training programme of Gram Sahayaks in Vidyalayas and in the field (2) To examine the impact of the training of the Gram-Sahayaks on their performance in their respective are as (3) To suggest ways and				

	means of improving the quality of training effectiveness of Gram Sahayaks in the field and to consider other related matters.	24-8-1964	3	..	3
57.	Committee to organise the purchasing of substandard Khadi for Bihar State.	To look into the question of reduction in the price to be made on sub-standard stocks of Khadi.	26-11-1962	5	1
58.	Committee to organise the purchasing of sub-standard Khadi for Maharashtra State.	To look into the question of reduction in the price to be made on sub-standard stocks of Khadi.	26-11-1962	6	1
59.	Committee to organise the purchasing of substandard Khadi for Madhya Pradesh etc.	To look into the question of reduction in the price to be made on sub-standard stocks of Khadi.	"	5	1
60.	Committee to organise the purchasing of sub-standard Khadi for West Bengal.	"	"	4	1
61.	Committee to organise the purchasing of sub-standard Khadi for Kerala.	"	"	3	1
62.	Committee to organise the purchasing of sub-standard Khadi for Rajasthan.	"	"	4	1
63.	Committee to organise the purchasing of sub-standard Khadi for Mysore.	"	"	4	1

1	2	3	4	5	6	7
		To look into the question of reduction in the price to be made on sub standard stocks of Khadi				
64	Committee to organise the purchasing of sub-standard Khadi for Orissa		31 1-1963	3	1	2
65	Committee to organise the purchasing of sub standard Khadi for Gujarat	Do	"	4	1	3
66	Committee to organise the purchasing of sub standard Khadi for Uttar Pradesh,	Do	"	3	1	2
67	Committee to organise the purchasing of sub standard Khadi for Madras	Do	"	7	1	6
68	Committee to organise the purchasing of sub standard Khadi for Jammu & Kashmir	Do	"	3	1	2
69	Committee to organise the purchasing of sub standard Khadi for Punjab	Do	"	5	1	4



**Ques. 5(b) (vii) (c):**—The expenditure incurred during each of the last 5 years on those committees including expenditure on T.A., D.A. and honorarium may be furnished.

**Reply:**—A statement indicating expenditure on T.A. and D.A. in respect of the various committees for the year 1962-63, 1963-64 and 1964-65 is enclosed. Separate figures for the year 1960-61 and 1961-62 are not readily available. On some of the Committees, members of the Board or the Commission are appointed and in their cases expenditure in respect of work of the various Committees has not been booked separately.

Out of 69 Committees referred to in Q. No. 5(b) (vii) (a), the statement enclosed indicates only of 30 Committees for which the information could be collected.

**Encl:**—to reply to Q. No. 5(b) (vii) (c).

Expenditure in connection with the Travelling Allowance in respect of the Members of the various committees (other than members of Board/Commission) for the year 1962-63, 1963-64 and 1964-65.

Sl. No.	Name of the Committee	1962-63	1963-64	1964-65
1	2	3	4	5
1	Certification Committee .	2348·50	385·56	1555·20
2	Training Committee .	2593·88	3275·53	4080·99
3	Khadi Advisory Committee	..	872·62	2341·21
4	Cooperative Advisory Committee . . . . .	4731·89	4998·02	2622·01
5	Research Committee .	..	1289·94	1444·42
6	Weaker Sections Committee . . . . .	..	2784·44	674·95
7	Power Committee . . .	..	..	..
8	Integrated Development Programme Committee .	..	..	3532·74
9	Khadi Wool Committee .	4196·59	8532·47	1114·70
10	Dyeing & Printing Advisory Committee . . .	5747·51	1818·27	Nil
11	Leather Advisory Committee . . .	9415·46	5872·46	6640·58

1	2	3	4	5
12	Tech. Advisory Committee			
	(i) Palm Gur			
	(ii) Gur & Khandani			
	(iii) Non Edible Oil & Soap			793 64
	(iv) Bee-keeping			28 10
	(v) Village Pottery	676 60		3226 02
	(vi) Hand Made Paper			
	(vii) Lime Stone			
13	Film Advisory Committee			
14	Publication Advisory Committee			
15	Raw Wool Purchase Committee			3522 30
16	Hill & Border Area Committee			5308 90
17	Exhibition Committee			
18	Silk Advisory Committee			2316 98
19	Cotton Purchase Committee			
20	Saranjam Committee	938 85		
21	Services Board		425 76	5556 30
	Total	30071 68	30932 67	44359 05

## APPENDIX VI

(See para 5.13 and 5.20)

*Para I (iii) estimates of departmental receipts:*

**Question 6.**—The Departmental receipts have been generally under-estimated as disclosed from the figures for 1961-62, 1962-63 and 1963-64.

(i) What are the reasons for these variations?

(ii) Is there a proper scrutiny, in time, of the loans repayable by the State Boards etc?

**Reply 6(i)** It will be seen from the figures in para I (iii) of the Audit Report on the Annual Accounts for the year 1963-64 and reproduced below:—

				Rs. in crores	
	Year		Original Estimates	Revised Estimates	Actuals
Khadi	1961-62	. .	6.41	6.67	9.14
	1962-63	. .	7.34	7.34	9.70
	1963-64	. .	3.98	7.24	7.69
V.I.	1961-62	. .	1.34	1.50	3.27
	1962-63	. .	2.12	2.12	4.62
	1963-64	. .	2.16	4.00	3.97

The variations between the figures of receipts are mostly in respect of recoveries of loans. These receipts are of a fluctuating nature as the implementing agencies found it difficult many times to pay the loan instalments especially those pertaining to the Working Capital Loans for production and sales in time. These agencies in fact asked for renewal of loans and for temporary loans (especially under Khadi Programme due to accumulation of stocks resulting in lock up of the capital). It may be pointed out here that it is because of these difficulties that the loans for production and sales have been decided to be treated as 'Working Fund' to be re-

tained by the implementing agencies subject to the condition that the prescribed levels of production and sales are maintained.

The factors which contributed to the variations in the receipts in the years 1961-62 to 1963-64 are as under

When it was noticed that large unspent balance and overdue loans were outstanding against the State Khadi & Village Industries Boards, a meeting was held in Dec '61 at which the various State Boards were requested to refund the unspent balances of loans. After this Meeting the Commission before releasing any loans adjusted earlier unspent balances and/or overdue instalments of loans. Similarly in 1962-63 the State Boards were asked to refund the unspent balances before release of funds for the programme that was to be executed during the year by the State Khadi & VI Boards. Further in 1963-64 the releases of funds were held over till the overdue amounts of loan instalments were cleared or unspent balances refunded or full justifications given for delay in remitting these overdues. It will thus be seen that the variations are mainly due to the fact that special drive was undertaken to effect recoveries on account of unspent balances and defaults. The amount received as refund of unspent balances only during these 3 years was to the tune of Rs 6-17 crore. The incidence of higher receipts other than estimated is therefore a result of the special efforts made in the direction of recoveries rather than symptomatic of the same being under-estimated.

(ii) The terms and conditions of the repayments are got accepted to the loanee State Board Institutions Societies before each release of funds. Due dates for repayment are watched through ledger accounts maintained by the Commission in respect of each loan. Notices are sent about 2 months in advance of the due dates to the parties concerned although the loanees themselves are required to watch and repay the loans on due dates.

The progress is reviewed every month in the meeting of Commission.

A consolidated statement showing the overdue amounts of loans from the State Boards Institutions Societies is also prepared every six months and placed before the Commission.

Special efforts are made through Industry Programme Directors and State Directors of the Commission for effecting recovery of the same. Legal action is also resorted to wherever necessary. There is however need to amend the legislation to remove a legal lacuna.

in the matter of recovery of these dues as arrears of land revenue. Steps for the same are being taken.

*Para I (iii) Estimates of Departmental Receipts*

Question No. 6 (iii).—Are any assessments made of the capacity of the loanees to spend the amounts before loans are granted to them.

(iv) Have any steps been taken to improve upon their budgeting?

Reply.—An assessment of the capacity of the loanees to spend amounts before loans are granted is made in the following manner:—

(i) *Commission vis-a-vis institutions on the direct list*:—Programmes for executing the schemes and the amount of assistance to be given in a year are determined after examining the following:—

- (a) The overall financial position by examining the audited accounts for the previous years,
- (b) Past performance with reference to the agreed programme both in terms of financial as well as physical targets.
- (c) Availability of adequate qualified personnel to execute the schemes.

(ii) *Commission vis-a-vis State Boards*:—Before considering the budgets of the State Boards, the Commission obtains full data such as Annual Accounts, achievements against physical targets for each industry, utilisation position, confirmation of balances and the same are examined in detail by the various Industry and Programme Directorates of the Commission. The State Boards undertaking any programmes departmentally are also required to furnish two separate budgets, one for their departmental activities and the other in respect of the funds required for disbursements to institutions/co-operative societies. The budget demands as a whole of each State Board are discussed with the representatives of the Board and the final agreed programmes are determined after taking into consideration all aspects referred to above.

(iii) State Boards vis-a-vis institutions under them —

- (a) Almost in all States there is a Finance Committee for examining the applications for assistance. Extracts of the recommendations of the Central Public Accounts Committee and of the General Financial Rules in regard to the financial control to be exercised and also the procedure to be adopted in considering the applications have been sent to the State Boards for guidance.
- (b) The State Boards have been advised to follow the following procedure in preparation of the budget estimates. The State Boards are required to discuss with the institutions/co-operative societies aided by them, the requirements for the ensuing year in relation to the past performance against the targets, utilisation position and other aspects referred to under item (i) above before they submit budget proposals to the Commission.

(iv) General—In addition to the above, the Commission has introduced the following measures

- (a) Provision of fund by way of imprest working upto roughly three months requirements to the State Boards and Institutions and recoupment of expenditure incurred therefrom on receipt of expenditure statements.
- (b) Study of the working of the State Boards and discussing the same with the State Governments.
- (c) Review of each State Board's working in the Commission's meetings.
- (d) Undertaking examination of the functioning of the institutions at periodical intervals.

## APPENDIX VII

(See para 5.33, 5.36)

Question No. 7(i): What action has been taken on the recommendation of the Public Accounts Committee (1964-65) contained in Para 45 of their 38th Report regarding Working Funds for the Commission?

Reply.—"The Committee already appointed by the Commission to work out a scientific basis of capital requirements has submitted its report in regard to "Cotton" Khadi in May, 1965. The Committee is at present working out the formula in regard to 'silk' and 'woollen' Khadi. Thereafter, the Committee will take up the work of determining the formulae for working fund requirements for various Village Industries.

Pending receipt of the recommendations of the Committee and pending examination of the Committee's recommendations the requirement of 'working fund' are being determined in case of each institution/co-operative society with reference to the existing formulae evolved by experience over a number of years in the case of Khadi. In regard to Village Industries also tentative formulae have been arrived at based on the experience of the working of the various industries over a number of years. The amount of 'working fund' is being determined in case of each institution on the basis of these provisional formulae. These formulae will be further studied by the Committee already mentioned which comprises of an experienced Economist, Financial Expert of the Textile Commissioner's office, the Managing Director of the State Financial Corporation and a few officials of the Commission and field khadi and village industries workers."

Ques. 7(ii):—The Working Group on Khadi & V. I. in page 46 of their Report have stated that the proposed Working Fund of Rs. 60 crores is required upto the end of the Third Five Year Plan. This amount is expected by the Commission to cover the total requirements of Khadi & V. I. under the heads of stocking loans, for the purchase of raw-material and Working Capital required for meeting the cost of production and payment of wages.

The fund is not intended to include the requirement of capital assistance loans for co-operatives and registered Institutions or of

capital expenditure loans for the purpose of buildings machinery etc

(a) What amount is estimated to be required by the end of the Fourth Five Year Plan?

(b) What amount would be needed for the Third Plan and the Fourth Plan for Capital assistance loans for Co-op Societies and registered institutions and for capital expenditure loans for the purpose of building machinery etc? Has the Ministry carefully scrutinised these figures? How is it proposed to meet these requirements?

Reply —(a) The additional requirements under Working Capital and capital expenditure loans by the end of Fourth Five Year Plan are indicated below—

(Rs in crores)			
	Khadi	V I	Total
Working Fund (Working capital)	44 25	39 98	84 23
Non working Fund (capital expenditure loans)	5 80	22 42	28 22
	40 05	62 40	112 45

(b) Information for the Third Plan period is given below

(Rs in crores)						
	Working Fund		Non Working Fund		Total	
	Khadi	V I	Khadi	V I	Khadi	V I
Opening Balance as on 1-4-65	43 35	11 14	3 05	5 45	46 40	16 59
Expected release in 65-66 as per approved budget	2 24	1 06	0 30	0 40	2 54	1 46
	45 59	12 20	3 35	5 85	48 94	18 05

All the loans paid so far to the Commission are repayable or renewable as the case may be after a period of five years

With the acceptance in principle of Working Fund, the Commission appointed a Committee for Working Capital of cotton khadi and



the Committee has submitted its Report. This Report is under consideration of the Khadi and Village Industries Commission. Similar Reports in respect of silk khadi, woollen khadi and other Village Industries have not been prepared and are yet to be finalised.

The terms and conditions of loans for capital expenditure such as for building, machinery, etc. which are viewed as "non-Working Fund" loans are also required to be decided as a sequel to the acceptance in principle of Working Fund.

Meanwhile, the requirements of Khadi and Village Industries Commission under all types of "Loans" are scrutinised in detail by Financial Adviser (drawn from the Senior Cadre of I.A.&A.S.), Khadi and Village Industries Commission in accordance with the pattern of Assistance in the manner explained in reply to Question No. 4 e(ii). The proposals of the Commission are, thereafter, sent to Government. The Department of Social Security scrutinises the proposals, in consultation with Ministry of Finance, taking into account the targets set for a financial year, the achievements during the previous years as are made available by the Commission and other items of committed expenditure. While fixing the annual provision, it is also ensured that it does not exceed the allocations approved by the Planning Commission.

From the Fourth Five Year Plan, the annual requirements of the Commission under "Working Fund" and "non-Working Fund" separately may have to be decided in accordance with the decisions that may have to be taken on "Working Fund" and "non-Working Fund" loans.

Ques. No. 7 (iii):—It has been stated in para 3.53 of the Report of the Working Group on Khadi and Village Industries that the cost of Khadi as fixed by the Certification Committee of the Commission allows in addition to the actual cost of expenditure on wages, etc. a margin of 20 per cent for the expenses of the institutions in the production and sales of Khadi and for capital formation.

(a) What is the break-up of this figure of 20 per cent under (i) expenses and (ii) capital formation?

Reply:—As will be seen from Rule 19(a) of the Certification Rules, the maximum margin of 20 per cent is intended to cover transport charges, packing and establishment. The Khadi Institutions, ever since the days when the production and sale of Khadi were in the hands of the All India Spinners Association, were work-

ing on no profit no loss basis. As such the institutions have hardly any margin to make profit for diverting the same for capital formation. There is therefore no break up of 20 per cent under (i) expenses and (ii) capital formation. However as a result of efforts made by the Khadi Commission to gather the information from old Khadi workers associated with the All India Spinners Association the following broad break up of the expenses which are to be covered by this margin has been collected

Item	Percentage
Salaries and D A and allowances P T in production and sale centres	6 25
Central Office	1 50
Development and expansion	0 50
Railway freight packing carding etc	1 50
Rent	2 00
Lighting and sundries	0 50
Travelling	1 50
Postage and telegrams	0 35
Stationery etc	1 50
Vastraswaval mban	1 00
Depreciation on dead stock	0 50
Reduction on unsold stock and write off shortag-s and losses	1 00
Interest on Capital	1 00
Add t on to looms and equipment	0 40
<b>TOTAL</b>	<b>19 50</b>

Question No 7(ii) (b) —Has any survey been made of the Institutions who obtain loans from the Commission for purposes of

capital, to see whether they already hold deposits on which they are earning interests?

*Reply.*—In the past, capital requirements of any institution for production, sales, etc., were worked out according to the formula based on experience of a number of years. While assessing the capital requirements, the available capital including the cash balance in the Bank was taken into account. A procedure has, however, been introduced for detailed scrutiny of the balance sheets of the institutions before their budgets are agreed to. Such scrutiny enables the Commission to see that the funds are not diverted for earning interest as deposits etc.

With the introduction of the system of 'Imprest' and 'Working Fund', there is little scope for investing funds in deposits and earning interest.

*Question No. 7 (iii) (c):*—Is it not desirable to charge interest on the loans given by the Commission to such institutions?

*Reply:*—As explained in reply to Question No. 7 (iii) (a), the margin allowed by the Certification rules is intended to cover transport charges, packing and establishment charges by the institutions. The margin, if any, is subject to the review and control by the Certification Committee. But largely there is little left.

In view of the above position, if interest is charged on the loans, the cost of Khadi will increase resulting in further widening of the gap between the price of Khadi cloth and Mill cloth. In this connection a reference is invited to reply to Question No. 2 (a).

These institutions have neither any substantial capital of their own nor other resources or reserves.

The Khadi institutions work on 'No profit, no loss' basis.

*Question No. 7 (iii) (d):*—Is it a fact that Institutions have obtained according to the formula adopted by the Commission a sum of nearly 50% more than what they are entitled to for Working Capital loans? Does it not result in over capitalisation of the Institutions?

*Reply:*—In the first place it should be realised that the Commission and the Khadi Institutions are discharging the functions which are in the case of organised sector done by several parties beginning with cotton merchants, cotton mucadams, bankers, mills, stockists, retailers and so on. The formula adopted by the Commission for sanctioning working capital assistance was evolved by the experi-

ence of the working of the industry over a number of years. Sometimes the institutions do come into possession of funds larger than all their activities justified. But it cannot be said that they are as high as 50% more than what the Institutions are entitled to. Whenever such excess capital is spotted action is taken to recover the surplus capital from the Institutions. The question of the amount of eligible capital and available capital is considered whenever additional working capital is demanded by the Institutions and during the budget discussion.

It may be pointed out that the Commission has already appointed the Working capital committee (comprised of an experienced economist, Cost Accounts expert of the Textile Commissioner's office the Managing Director of a State Finance Corporation and a few officials of the Commission and experienced Khadi workers) to work out on a scientific basis the formula for providing fund for Working Capital. Their report on Cotton Khadi has already been received and is under examination. Similarly the Committee's report on silk and woollen khadi is also expected by the Commission shortly.

Question No 7(iv) —In para 42 of their 167th Report (1961-62) the Estimates Committee recommended

"The Committee feel that the financial assistance for non-recurring expenditure should consist mainly of long term loans and the grant portion may be reduced to 25 per cent. The institutions should also be required to invest a portion of the funds since they cannot normally be expected to take a keen interest in the success of a venture unless they have a direct stake in it in the form of their own capital. This is evident by the fact that a majority of the institutions as pointed out in para 108 had not started operations and the amount advanced to them had to be recovered from them. The Committee suggest that the matter may be reviewed."

Government had accepted the recommendations in February, 1963

What specific action has been taken on the recommendation of the Estimates Committee?

Reply —This recommendation of the Estimates Committee was referred to the Patterns Committee appointed by the Commission.

The Committee, however, suggested the revised patterns shown in the enclosed statement which have been put in force with effect from 1-4-1965.

Investment by institutions is not feasible as the artisans concerned are pecuniarily lower in the category of indigent class. Efforts are being made to limit the releases to cover production. No longer with the imprest system is there possibility of withdrawal of large funds.

*Revised Patterns of Assistance*

		Proportion of loan	Proportion of grant
<b>I. Gur &amp; Khandasari Industry</b>			
1. Major Implements	1960-61	50%	50%
	1965-66	100%	..
2. Minor implements	1960-61	50%	50%
	1965-66	80%	20%
<b>II. Palmgur Industry</b>			
1. Improved equipments	1960-61	80%	20%
	1965-66	100%	..
2. Gur making appliances	1960-61	80%	20%
	1965-66	100%	..
3. Sugar candy making appliances	1960-61	80%	20%
	1965-66	100%	..
4. Improved moulds and containers	1960-61	80%	20%
	1965-66	100%	..
5. Confectionery appliances	1960-61	80%	20%
	1965-66	100%	..
6. Canning and fruit preserving appliances	1960-61	80%	20%
	1965-66	100%	..
7. Palm Products Machinery	1960-61	80%	20%
	1965-66	100%	..
8. Transport of vehicles	1960-61	80%	20%
	1965-66	100%	..

		Proportion of loan	Proportion of grant	
9	Neera Catering appliances	1950-61 1965-66	80% 100%	20%
10	Godowns	1960-61 1965-66	80% 100%	20%
III Handmade Paper Industry				
1	Machinery for medium Unit	1960-61 1965-66	50% 75%	50% 25%
2	Equipment for medium Unit	1950-61 1965-66	50% 75%	50% 25%
IV Village Pottery Industry				
1	Equipment for country roofing tile unit	1960-61 1965-66	50% 100%	50%
2	Equipment for brick Bharti unit	1960-61 1965-66	50% 100%	50%
V Carpentry & Blacksmithy Industry				
1	Workshop Building	1950-61 1965-66	50% 60%	50% 40%
2	Carpentry & Blacksmithy tools	1950-61 1965-66	66 3/2 % 100%	33 1/3 %

In the case of assistance for godowns etc', also the Committee has recommended 100% loan. These recommendations have been adopted by the Commission.

## APPENDIX VIII

(See Para 5.55)

**Question 8(i):**—What are the reasons for not taking any action so far on the recommendations of the Public Accounts Committee (1961-62) made in para 25 of their 42nd Report regarding apportionment of profits?

**Reply:**—The Government is already taking action on this recommendation. This question was discussed at a meeting by the representatives of the Ministry of Industry, D. G. S & D., Khadi and Village Industries Commission and A.G., C.W. & M., on 20-11-1963. It was then decided that the Chief Cost Accounts Officer of the Ministry of Finance should examine this matter and decide in consultation with the Financial Adviser and Chief Accounts Officer of the Khadi Commission, the quantum of expenditure that can legitimately be debited to the trading activity of the Commission. The Cost Accounts Officer of the Ministry of Finance visited the Commission's office for collection of certain information in this regard. He has, now furnished his report, on which Government has asked for the comments of the Commission.

**Question No. 8(ii):**—What are the reasons that lead to profit in those cases where Government requirements are supplied and not in other cases? Is it due to bulk supply or to higher prices obtained in Government contracts?

**Reply:**—In accordance with the Rules of the certification Committee, Khadi & Village Industries Commission gets a margin at the rate of 9½% (6½% for certain period) from the producing institutions on wholesale purchases made by it for supply to Government Departments. The sales to the Government Departments are treated as retail sales. The surplus is shown from year to year in the Annual Accounts of the Commission. This surplus cannot, however, be reckoned as net profit as it has been arrived at without debiting certain service and overhead charges. This surplus occurs not only in A.T. transactions but in other trading units of the Commission as well.

2. The question of determining the fixed surplus under A.T. Transactions is already under consideration and the position in that respect has already been explained in reply to Question 8(i).

3 With the introduction of the Weaving subsidy Scheme from the year 1964-65, in replacement of the scheme of rebate on retail sales, no discount is being received by the Commission from the producing institutions. A.T. supplies, therefore, get the full advantage of the weaving subsidy when it is allowed to others.

Question No 8(ii) —Has any investigation been made to find out why particular units are running at loss in order to rectify the position?

Reply —The Commission's major trading activities are in Andhra, Kashmir, West Bengal and M.P. States. In addition to this, Khadi Gramodyog Bhavans are also run by the Commission in principal cities. The Major part of the trading activities in Andhra and West Bengal has been transferred to the respective State Boards. The trading activities in M.P. State have been closed down. The working results of the trading activities in Kashmir have shown profit.

The Bhavan's Review Committee appointed by the Commission, however, suggested steps for increase in sales which would reduce the losses to the minimum. The Bhavans have attained a stage of self sufficiency.

After Annual audit of the trading operations directly run by the Commission is conducted by the Internal audit staff of the Commission, review of Working results of the trading units is made and considered by the Commission. In the cases of losses incurred by trading units suitable remedial measures are initiated to avoid losses.



## APPENDIX IX

### Part III—Loans to institutions, Co-operative Societies and State Boards

#### (a) Loans advanced by the Commission:

*Question 9(i):*—The Public Accounts Committee of 1964-65 were informed by the representative of the Deptt. of Social Security that they had set up a Recovery Section and outstanding loans to the tune of Rs. 1 crore had been recovered in the course of last year (Page 84, para 47 of 38th Report P.A.C.).

What is the present position of recovery of the outstanding loans?

*Reply:*—The present position of recovery of the outstanding loans under Khadi & Village Industries, is given in table below:

	Total Defaults as on 31-3-64	Defaults cleared upto 10-9-65	Defaults still to be cleared
	Rs.	Rs.	Rs.
Khadi . . . . .	3,52,55,692.43	1,85,56,993 32	1,66,98,689.11
Village Industries . . . . .	4,73,37,006.12	1,50,65,734.58	3,22,71,271 54
	8,25,92,688.55	3,36,22,727.90	4,89,69,960.65

It is stated, in this connection, that there will be considerable reduction in defaulted amounts particularly under Khadi Industry as a number of Institutions will be eligible for the benefit of 'Working Fund' according to which the implementing agencies are not to return the loans for 'working Capital' so long as the particular levels of production/sales are maintained. Out of the total defaults to be cleared amounting to Rs. 4,89,69,960.65, an amount of Rs. 1.78 crores relates to the defaults in 'Working Capital Loans', which need not be considered as defaults for the above reason.

Part III—Loans to the Institutions co-op Societies and state Boards

Question 9 (ii) —With regard to defaults in respect of loan disbursed for Khadi Programme, the Working Group have observed

"It will be seen that considerable vigilance is required in order to bring down this percentage of defaults. It should also be remembered that the law of limitation would apply to loans given by the Commission and it is therefore essential to see that steps for recovery of overdue loans are taken in time (Para 4 12 Page 77)

As regards Village Industries the observations of the Working Group is as follows

"The percentage of the amounts overdue to the total loans disbursed is 16. The position is really alarming. The larger part i.e. two thirds of these overdue loans are due from Co-operative Societies and registered institutions assisted by the State Boards who in turn received funds from the Commission. The remaining one-third are overdues from institutions assisted directly by the Commission.

It is obvious that neither the Commission nor the State Boards have bestirred themselves to take energetic steps for the recovery of the defaulted amounts. It is a matter of concern that the enthusiasm shown in disbursing the amount has not been shown in respect of recovering the defaulted overdue amounts. (Para 4 13 Page 78)

The Working Group have further remarked

"We regret however that the State Boards who have to recover such large amounts from institutions and co-op societies assisted by them, have not yet shown an awareness of their responsibility. We consider time has now come for the State Boards also to take similar steps immediately to prevent the position from going out of hand. (Para 4 15 Page 79)

What action has been taken on these observations of the Working Group on Khadi & Village Industries and what improvement has been effected as a result thereof?

*Reply:—*The Commission has taken the following steps for expediting the recovery of dues:—

- (i) The Commission reviews the position of recoveries in its meeting every month where special steps needed in particular cases for expeditious recoveries are considered.
- (ii) The Commission has made the Industry/Programme Directors and the State Directors, responsible for recovery of the default amounts from the loanee institutions. They are required to review, from time to time, the working of the Societies/Institutions from technical, administrative and financial points of view.
- (iii) A special cell under a Senior Officer of the Commission has been created for attending exclusively to the recovery aspect.
- (iv) The Commission hold discussions with the representatives of each of the State Boards, when it was impressed, that the Commission cannot be expected to wait indefinitely and therefore the Boards should take effective steps to collect the dues and take penal action, wherever necessary.
- (v) The Commission has set up special mobile squads to contact the parties, as a special drive for clearance of arrears in repayment of loans, etc.
- (vi) With regard to legal step, Section 19-B of the Khadi & Village Industries Commission Act 1956 provides for recovery of the Commission's dues as arrears of land Revenue. If any question arises whether a sum is payable to the Commission it is to be referred to the Tribunal to be constituted by the Central Government. The Commission had moved the Government of India to appoint a Standing Tribunal to decide all the cases that may arise from time to time for which it is proposed to amend the relevant provision in the Act to remove a legal lacuna. In the meantime, Commission is taking vigorous action to recover its dues through Court of Law or by referring the cases to Arbitration.
- (vii) As a result of these vigorous steps taken by the Commission an amount of Rs. 3.36 crores has been recovered in 17 months past.

## APPENDIX X

(See paras 46 & 413)

### Confirmation of Balances

**Question No 10(i)** —How many of the Societies/Institutions from whom confirmation was due, had stopped functioning? Is there any possibility of recovery of dues from them? Were no enquiries made before advancing funds to such institutions?

**Reply** —18 Co-operative Societies and Institutions financed by the Commission from whom confirmations were due, have stopped functioning

The Commission has set up a special cell under a Senior Officer of the Commission for examining and taking effective action for recovering the dues from the Co-operative Societies/Registered Institutions that have gone into liquidation and ceased functioning.

So far as the Co-operative Societies under liquidation are concerned claims are preferred with the liquidators appointed by the Registrar of Co-operative Societies. In regard to defunct registered Institutions Commission is taking action to file civil suit, if other measures for recovery fail. The Commission has also in view the provisions of the Section 19(B) of the Khadi & Village Industries Act 1946 which provide for recovery of the dues as arrears of land revenue

In view of the foregoing it is not possible to assess the amount of recovery at this stage

Funds are sanctioned to Co-operative Societies/Registered Institutions after taking into consideration by and large the following aspects

- (a) The recommendation of the Co-operative Deptt/Block Development Officers as the eligibility and also the working of the Society
- (b) The past performance of the Society/Institution.
- (c) Ensuring through Commission's Industry Directors and Directors in States that the grantee/loanee Institutions is capable of implementing the scheme of the Commission

effectively and possess the adequate qualified personnel to execute the scheme; and

(d) Position of defaults in repayment of loans.

*Question No. 10(ii):—*Are the provisions of the Khadi & Village Industries Commission Loan Rules, 1958, followed or applied in all cases of loans?

*Reply:—*Yes, generally. In cases coming to/brought to notice where Loan Rules are not observed the Commission is taking suitable action.

*Question No. 10(iii):—*Were the cases of defaults reported by the Chief Executive Officer to the Commission as required under Rule 8(c) of the Loan Rules. If so, what action was taken in the matter.

*Reply:—*The position of defaults is reported to and considered by the Commission every month.

The steps taken from time to time are indicated below:—

- (1) Impressing upon the Loanee Institutions by issue of a Circular that the applications for further assistance would not be considered by the Commission, unless the defaults are cleared.
- (2) Preparation of half yearly default statements showing the details in respect of each loan outstanding against State Boards/Institutions/Co-operative Societies and despatch of the same to the State Boards/State Directors and Programme Directors with a direction to ensure that the defaulting Institutions pay the dues to the Commission immediately.
- (3) The Commission considered the question of recovery of loans in detail. In the interest of speedy recovery a procedure for dealing with cases of default and the recovery of over due loans was laid down.

If the Commission fails to recover the dues through the normal procedure, the following steps are taken:—

- (a) taking over possession of the property of the institutions under hypothecation deed; and

- (b) instituting legal proceedings, through the process of law, should the enforcement of Hypothecation deeds create difficulties.
- (4) The Programme/Industry Directors have been made responsible to ascertain the condition of each Society/Institution from time to time and to watch its functioning not only from the technical angle but also from financial and administrative angles.
- (5) Recovery of Commission's dues as arrears of land revenue through the District Revenue authorities
- (6) The Commission has also decided to form special mobile squads out of the existing staff to contact the parties for this purpose as a special drive for clearance of arrears in repayment of loans etc

Question No 10(w) —What action has been taken on the recommendation of the Working Group on Khadi and Village Industries as contained in Para 4-11 (Page 76-77) of their Report regarding unsatisfactory position of confirmation of balances? What is the latest position regarding confirmation of balances?

Reply —Apart from the correspondence with the parties concerned efforts are made through the Commission's State Directors to obtain confirmation of loan balances. During Annual Budget discussions also the position in this respect is reviewed before the next year's programme is accepted. The cases which are likely to become time-barred have been specially examined and necessary action taken legal where warranted, for recovery of the loans getting the loans covered by Hypothecation Deeds etc

2 The position as on 30-9-63 regarding the confirmation of loan balances as on 31st March 1963 for Khadi and Village Industries by the State Boards and Major Institutions is as under —

	Khadi	Village Industries
	(Rs in crores)	
1 Total balances to be confirmed as on 31-3-1963		
2 Loan balances confirmed so far	34.58	13.50
3 Balance to be confirmed	33.24	12.34
	1.34	1.16

An analysis of the institutions in respect of which the balances are yet to be confirmed is as follows:—

	Khadi	Village Industries
	(Rs. in crores)	
1. State Boards . . . . .	0.003	0.86
2. Major Institutions . . . . .	0.27	..
3. Other Institutions . . . . .	1.07	0.30
	1.34	1.16

*Question No. 10(v):*—Has any examination been made to see whether expenditure incurred on recovery proceedings would be more than the amount recovered?

*Reply:*—The question of enforcement of recovery arises when there is a default in repayment of loan instalments and refund of unspent balances or unauthorised expenditure.

2. The procedure followed is indicated below. It will give an idea as to the care taken to avoid heavy expenditure being incurred to effect recoveries.

(A) *Co-operative Societies:*—(i) In the case of societies which are functioning but which commit default in the payment of the Commission's dues the matter is immediately taken up with the Registrar of Co-operative Societies with a request to investigate into the working of the society with a view to recover the overdues as early as possible. If this course does not yield any results, notice is sent to the Registrar of Co-operative Societies intimating that the Commission would proceed legally against the society if the society fails to clear the outstanding dues within the specified number of days as is provided in the Co-operative Societies Act of the respective States. The legal action is considered thereafter.

(ii) When any co-operative society goes into liquidation the question of recovery is taken up with the Liquidator through the Registrar of Co-operative Societies. After the claims are failed with the Liquidator, the Commission has only to pursue the matter with the Liquidator till the dues are recovered.

(B) *Regd. Institutions:*—(i) In the case of Regd. Institutions, all efforts are made including exercise of influence through the leaders in the constructive field.

(ii) The legal action is considered on the merits of each case if these efforts fail after taking into account all the factors viz amount recoverable and the assets possessed by the institution. In cases where there is a *prima facie* reason to believe that the property is likely to be disposed of the Commission approaches the Court for interim prohibitory orders.

(iii) The Commission generally has the provision in the hypothecation deeds executed by the borrowing institutions which provides for reference to Arbitration. Such Arbitration does not involve heavy expenditure.

(iv) The Commission has also approached the Government of India for amendment of the Khadi & V I Commission Act, so as to enable the Commission to take the advantage of the provision for recovery of its dues as arrears of land revenue. There is a legal flaw and that provision cannot be utilised at the moment.



# APPENDIX XI

(See para 4.68)

Statement showing the payments made to the following Institutions from 1958-59 to 1962-63 under Khadi

Sl. No.	Name of the Institutions	1958-59	1959-60	1960-61	1961-62	1962-63	Total
1	Paschim Bengal Ghani Silpa Sambhaya Mahasangh Ltd., 14 Princess St., Calcutta	2,33,000	85,000	..	..	..	3,18,000
2	Saghan Kshetra Vikas Samiti, Dhanaura	48,000	1,000	35,000	65,701	73,625.87	2,23,416.87
3	Saghan Kshetra Vikas Samiti, Ajagara	1,42,000	2,000	..	..	..	1,44,000.00
4	Saghan Kshetra Vikas Samiti, Singhpursani (Distt. Moradabad)	1,88,000	86,000	50,200	1,00,000	1,55,000.00	5,79,200.00
5	Gramodyog Mandal, Pukharayan	..	..	..	..	..	3,500.00
6	Hodoti Khadi Gramodyog Sangh, Baran (Rajasthan)	..	3,500	..	..	..	2,000.00
7	Gram Seva Sangh, Mughkalyan, Howrah	2,000	..	..	..	..	1,37,900.00
8	Bhopal Rajya Khadi Gramodyog Sangh, Bhopal	45,000	25,000	10,000	15,000	32,400.00	1,08,016.87
9	Saghan Kshetra Vikas Samiti, Rambaba	6,58,500	2,02,500	95,200	1,90,791	2,61,025.87	14,08,016.87

Statement showing the amounts paid to 9 Institutions from 1958-59 to 1962-63 under V Large Industries

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Sl No	Name of the Institution	1958-59	1959-60	1960-61	1961-62	1962-63	Total
1	Pancham Dargah Ghandi Sripa Samabaja Mahasangh Ltd 14 Princess St. Calcutta		1,55,000				1,55,000
2	Saghan Kaletra V kas Samiti Dhanaura	1,06,000	1,51,300				2,57,300
3	Saghan Kshetra V kas Samiti Alagara	15,500	1,300	1,000	35,600	5,000	57,800
4	Saghan Kshetra V kas Samiti Singhpurmand (Distt Moradabad)	54,800	82,300	3,500			1,40,600
5	Gramodyog Mandal Pukharayan	19,100	31,350		4,437 50		94,887 50
6	Hodoti Khadi Gramodyog Sangh Ilaran (Rajasthan)			5,000			5,000
7	Gram Seva Sangh Maghalyan, Howrah	2,300	22,000				24,300
8	Bhopal Rajya Khadi Gramodyog Sangh Bhopal						
9	Saghan Kshetra Samiti, Rambaba	21,100	8,300				29,400
		2,18,800	4,34,550	9,500	39,437 50	5,000	7,24,287 50

*Overdue instalments from important societies.*

**Question No. 11 (ii):**—How were the loans advanced in each case, through the State Boards or direct by the Commission?

**Reply:**—Loans referred to in the above question were advanced to these 9 institutions directly by the Commission.

**Question No. 11 (iii):**—Has any action been taken to stop further loans to these societies? What steps have been taken to recover the loans from these societies?

**Reply:**—The position in brief is given below:

**1. Paschim Bengal Ghani Silpa Samabaya Mahasangh Ltd.:**

The institution has been taken into liquidation. The question of recovery is being pursued with the liquidator. The amount of loan overdue for recovery is Rs. 5.32 lakhs.

**2. Saghan Kshetra Vikas Samiti, Dhanaura:**

The activities of the Samiti have been stopped since 1.4.1964 and the assets have been taken over by the Commission. So far, a sum of Rs. 1,53,408.06 has been realised by sale of movable articles. Action for the disposal of other movable and immovable assets of the Samiti is in progress. In this connection, reply to Question No. 11 (iv) may please be seen.

**3. Saghan Kshetra Vikas Samiti, Ajagara:**

The Samiti is working most of the industries satisfactorily. The Samiti had shown its assets valued at Rs. 5,15,163 as on 31-3-63 and has also shown profits of Rs. 25,155 as on 31-3-63. The institution has also confirmed loan balances. Further payments were, therefore, not stopped. Balance amount overdue for recovery is Rs. 13,615.67 as on 30-11-65.

**4. Saghan Kshetra Vikas Samiti, Singhpursani:**

Financial position of the institution was considered sound. It has shown assets of the value of Rs. 6,22,309 and profits of Rs. 43,298.08 as on 31-3-1963 as per balance sheet. The institution has also confirmed the loan balances. Further payments were, therefore, not stopped.

Balance amount overdue for recovery is Rs. 60,870 as on 30-11-65. The institution has agreed for adjustment of its subsidy and rebate

claims amounting to about Rs 10 000 pending with the State office of the Commission against the outstanding dues of the Commission

#### 5 Gram Udyog Mandal Pukhran in Kanpur

Loan balances have been confirmed. The benefit of 'working fund' has also been extended to the institution and therefore no amount is repayable under Khadi. Under Village Industries, the institution is to repay a sum of Rs 15,972.24 as on 30-11-65. Necessary action is being taken to recover the amount.

#### 6 Hadoti Khadi Gramodyog Sangh, Baran

The representatives of the Commission had discussions recently about the affairs of the Sangh with its President. It was pointed out by the President that the Sangh had incurred losses during its working since 1956 amounting to approximately Rs 2 lakhs. At present the work at Baran is not conducted by the Sangh. As there is scope for Non-edible Oil and Soap production to thrive in the area, because of the availability of raw materials in abundance arrangements have been made since October 1964 with the All India Non-Edible Oil Industry Association which has kept the production going on regularly.

The Sangh has lands and buildings worth about Rs 1,34,000. It has obtained 3 to 3½ bighas of land from the Bhodan Board. The stocks of yarn, cloth and woollen goods possessed by the Sangh, are valued at Rs 50,000. Besides it has Saranjam materials worth about Rs 5,000. The President of the Sangh has agreed to hand over these stocks to the Commission. The Sangh has also agreed for the adjustment towards repayment of loans to the extent of Rs. 37,000 representing rebate and subsidy claims submitted by the Sangh. The loan balance has also been confirmed by the President of the Sangh. The question of recovery is being pursued and efforts made to recover the entire amount at the earliest.

#### 7 Gram Sera Sangh, Mugkhalyan, Howrah

The case is being referred to arbitration.

#### 8 Bhopal Rajya Khadi Gramodyog Sangh, Bhopal

The institution has ceased functioning from January, 1961. Assets of the book value of Rs 95,124.38 had been taken over by the Commission. A sum of Rs 31,611.94 has so far been realised by disposal of some of the assets of the book value of Rs. 33,265.71. Assets of

the book value of Rs. 54,347·95 and Rs. 7,510·72 have been transferred to the M.P. State Board and two other institutions respectively.

9. *Saghan Kshetra Vikas Samiti, Rambaba:*

The working of this Samiti was looked into by a Sub-Committee appointed by the Commission along with other centres and the working of the Samiti was found to be fair. As such the Samiti was permitted to continue its activities. However, subsequently due to change in the local conditions, it was found necessary to transfer its activities to the Saghan Kshetra Samiti, Raniwan, another institution working in the same block area. The authorities of the Raniwan Samiti have agreed to take full responsibility for the liabilities of the Rambaba Samiti and have also agreed to execute the necessary agreements for loans etc.

The Rambaba Samiti has to repay an amount of Rs. 1,25,145·89 against which the Samiti had assets of book value of Rs. 1,43,182·00.

*Question No. 11 (iv):*—In para 64 of their 7th Report (Third Lok Sabha) the P.A.C. had desired that steps should be taken to recover the unutilised grants and amounts spent on the unauthorised objects by a Saghan Kshetra Vikas Samiti.

Even after a lapse of 2½ years, the P.A.C. have not been informed the action taken on their recommendation. What are the reasons for this abnormal delay?

What is the final position in this regard?

*Reply:* The Commission stated in May, 1963 that most of the amounts spent on unauthorised objects (which were regarded as unspent balances by the Commission) were utilised for creating certain assets like hospital, etc., and that the continuance or otherwise of the Intensive Area Scheme was sometime under consideration. It was decided that for an overall check on the working of the Samitis, they would be federated and that the proposed federation would also implement directly the major projects managed by the individual Samitis.

The Commission was requested by Government in June, 1963 to take suitable steps to recover the unutilised balances lying with the Samiti as the formation of a federation was in a proposal stage. The Commission decided in its meeting held on 29th February, 1964, as follows:—

- “(a) The property of the Samiti, including the hospital building, should be taken over by the Commission and steps

be taken to auction the same with a view to recovering the Commission's due, through sale proceeds. The question of letting out the hospital building, after the same was taken over by the Commission, to the Samiti on rental basis could, the Commission directed, be also considered by the Director, I.D.P.

- (b) The existing equipment machinery, etc., with the Samiti should be taken over by the Commission and kept under proper safe custody so as to prevent further misuse of the assets by the Samiti.
- (c) The raw-materials and finished goods in stock with the Samiti should be taken over by the Commission at the book value, less depreciation charges and the same be transferred wherever required. Action in this regard should be taken by the Director, I.D.P. through the Commission's State Director Uttar Pradesh, to whom suitable detailed instructions should be given by the former.
- (d) Immediate steps should be taken to take over the assets and liabilities of the Samiti. The Director, I.D.P. should do this through the Commission's State Director for Uttar Pradesh.
- (e) Government of Uttar Pradesh be approached with a view to ascertaining whether they would be willing to take over the buildings of the Samiti at the book value and put them to proper use.
- (f) Simultaneously, action should also be taken to find out if any other institution would be willing to take over the working of the Samiti and if so the terms and conditions on which the working should be transferred to it should be considered."

The Director Incharge of the Industry visited Dhanaura during the period 29th March 1964 to 9th April, 1964 to implement the decisions of the Commission. The Yojana Samiti of the Institution passed a resolution on 1st April, 1964 to hand over charge of the assets to the Commission. Accordingly, the assets were taken over and the action for the disposal by approaching the State Government and institutions and also sale by auction is on hand. So far, a sum of Rs 153,808.06 has been realised by sale of movable articles. Disposal of other movable and immovable assets is in progress.

- (ii) In pursuance of the recommendation of the P.A.C. in para 64 of their 7th Report (Third Lok Sabha), Government appointed an

officer to conduct a thorough investigation into the irregularities brought out therein. The officer has since submitted his Report and the Commission has been asked to take action on the recommendations made by him. A reply to the P.A.C. to para 64 is being sent soon.

*Question No. 11(v):*—The P.A.C. in para 9 of their 19th Report (Third Lok Sabha) desired disciplinary action to be taken against defaulting Officers of the Commission with regard to the case of Bhopal Rājya Khadi Gramodyog Sangh, Bhopal.

Action on the recommendation is yet to be taken.

What are the reasons for this delay?

*Reply:* The institution was formed with the active backing of the Industries Department of the erstwhile Bhopal State and also with the co-operation of the Gandhi ASHRAM, Meerut. The State Government had placed a large number of workers at the disposal of the institution. The then Industries Minister of the State was also the Chairman of the said institution. The capacity of the institution to execute the Khadi programme was, therefore, never in doubt. The funds for the Development of Khadi and Village Industries were sanctioned to the institution by the Scheme Committee/S.F.Cs. on the basis of the recommendation of the Director of Industries, Government of Bhopal and the respective Industry Directors. It may be mentioned that the deterioration in the State of affairs of the institutions was not in any way due to lack of vigilance on the part of the Commission or due to injudicious disbursement of funds to the Institution.

As soon as the unsatisfactory state of affairs of the institution was brought to the notice of the Commission through internal audit in February, 1958 the matter was taken up in March, 1958 with the institution by the Deputy Zonal Director, Ujjain requesting the institution to arrange for the meeting of the Managing Committee to place before the management the exact situation of the Sangh. The Member (khadi), during his visit to the institution in November, 1958, found that the institution was not functioning satisfactorily. The action on the part of the Commission, after the internal audit of the accounts of the institution was, therefore, prompt.

In the circumstances explained above the Commission consider that the question of fixing of responsibility for any lapses on any particular officials of the Commission does not arise.

Question No 11 (vi) —Has any further recovery been made from the Kasturba Seva Mandir Rajpura.

Reply Yes Against the total defaults of Rs 22 53 lakhs as on 31st July 1964 the following amounts still remain unrecovered.

(i) Khadi W C Loan	Rs 5 79 lakhs.
(ii) Wool Loan	Rs. 2 48 lakhs
	<hr/>
	Rs. 8 27 lakhs.

The amount of Rs 2 48 lakhs under 'Wool loan will be adjusted part of 'Working Fund and thus not returnable if particular levels of production/Sales are maintained which is under verification

The amount of Rs 2 48 lakhs under 'Wool loan will be adjusted against the Institution's claims amounting to Rs. 2 63 lakhs. This would clear the defaults.



## APPENDIX XII

*Para IV—Delay in obtaining refund of unutilised balance of grants and loans.*

### (1) State Boards

Question 12(a);—Please furnish statewise and year-wise break up of figures relating to amounts for which utilisation certificates refund of unspent balances are due from State Boards:

(b) In how many cases further loans and advances were given each year to the parties who had failed to furnish the Utilisation Certificates or to refund unspent balances.

(c) What are the possibilities of recovery of these loans and advances.

Reply: The Commission hopes that its strenuous efforts as reflected in the progress achieved in bringing down very substantially the outstanding utilisation certificates will kindly be appreciated by the Public Accounts Committee.

(a) A statement showing the position as on 31st December, 1965, about the funds released by the Commission upto 1960-61 and during 1961-62 and 1962-63 to various State Boards together with the balance amounts for which utilisation certificates are yet awaited is attached.

(b) The funds placed at the disposal of the State Boards by the Commission have been in turn, disbursed by them to the Registered Institutions/Co-operative Societies functioning under their jurisdiction for implementing the Khadi and Village Industries Programmes. Most of the State Boards have Finance Committees for scrutiny of the applications for assistance from the Institutions/Societies.

In the past, release of funds was not strictly made dependent upon the submission of Utilisation Certificates in respect of earlier disbursements. Submission of Utilisation Certificates to the Commission by the State Boards was also dependent upon verification of expenditure and collection of Utilisation Certificates by the State Boards from the aided agencies. The Commission has, however, taken the following steps for the expeditious submission of Utilisation Certificates by the State Boards.

(i) Internal Audit staff of each State Board has been augmented, wherever found necessary

(ii) The State Boards have been asked to ensure that all the Utilisation Certificates in respect of the funds disbursed the Commission upto the year 1962-63 and during 1963-64 are furnished to the Commission positively by December 1965 and March, 1966 respectively

(iii) The recommendation of P.A.C. that further assistance should be made dependent on the timely submission of Utilisation Certificates for earlier funds, has been brought to the notice of the State Boards

(iv) State Directors of the Commission have been directed to contact the State Board Officers and arrange for expeditious submission of Utilisation Certificates

(v) Efforts have been made to depute special parties to the State Boards for reconciliation of discrepancies, if any, and for guidance to the Internal Audit Staff of the State Boards with a view to accelerate the process of collection and submission of Utilisation Certificates

(vi) Study of the working of various State Boards is conducted by special parties under the supervision of Senior Officers of the Commission. Special attention is given during this study to the position of Utilisation Certificates

(vii) The importance of prompt submission of Utilisation Certificates has been impressed upon the State Boards during periodical discussions with the representatives and particularly with F.A./C.A.Os of the State Boards. The matter has also been taken up with the State Boards at the highest level

As to the refund of unspent balances it may be stated that the State Boards were informed to refund all unspent balances on introduction of imprest system in June 1964 and that no expenditure should be incurred except from the imprest amounts. Certificates to the effect that there are no unspent balances remaining have also been called for from the State Boards

(c) As in the case of directly aided institutions the recovery of loans from the State Boards according to terms and conditions of loans is watched by the Commission. The State Boards are also required to execute hypothecation deeds. The State Boards in turn have also to grant loans to implementing agencies on obtaining similar legal documents. The State Boards have also to watch and arrange for the recovery of the loans on the due dates and also to take legal action where necessary for effecting the recovery of loans

The defaults in repayments normally occur where the Societies/Institutions incur losses or become defunct. It has come to notice that some societies financed by the State Boards are not functioning properly for which the State Boards have been asked from time to time during the review of the working of the State Boards at the time of budget discussions and during administration-cum-accounts inspection to take suitable action in such cases by lodging the claims before liquidators, getting the assets mortgaged, etc.

The question of losses incurred by the State Boards is considered during budget discussions. In respect of certain State Boards the matter was also discussed with the Chief Ministers of the concerned State Governments. Similar discussions are also proposed to be held with other State Governments. However, it may be pointed out that it may not be possible, at this stage, to make a realistic assessment of the probable losses involved, if any, due to non-recovery of loans.

(i) Internal Audit staff of each State Board has been augmented, wherever found necessary

(ii) The State Boards have been asked to ensure that all the Utilisation Certificates in respect of the funds disbursed the Commission upto the year 1962-63 and during 1963-64 are furnished to the Commission positively by December, 1965 and March 1966, respectively

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The question of losses incurred by the State Boards is considered during budget discussions. In respect of certain State Boards the matter was also discussed with the Chief Ministers of the concerned State Governments. Similar discussions are also proposed to be held with other State Governments. However, it may be pointed out that it may not be possible, at this stage, to make a realistic assessment of the probable losses involved, if any, due to non-recovery of loans.



12 Punjab . . . . .	81.30	6.20	46.47	1.47	41.74	2.47	169.51	10.14
13 Rajasthan . . . . .	252.11	64.91	58.47	10.31	67.25	3.80	387.83	79.02
14 Uttar Pradesh . . . . .	23.95	23.11	52.79	8.40	15.86	7.75	92.60	39.26
15 West Bengal . . . . .	37.61	22.64	30.49	12.25	66.97	24.70	135.07	59.59
16 Tripura . . . . .	0.10	..	0.19	..	..	..	0.29	..
Difference under re-conciliation . . . . .	4.83	4.83	..	..	..	..	4.83	4.83
Amount of U. Cs. received in excess etc., which are under reconciliation and also the amount received by different State Boards in subsequent year i.e., April 1963 . . . . .	..	(-)227.63	..	(-)17.18	(-)238.91	(-)238.91	(-)238.91	(-)483.72
TOTAL . . . . .	2,198.70	277.22	920.13	173.89	851.63	75.43	3,970.46	526.54

NOTE : 'A' represents amount involved in inter State transfer due to re-organisation of States.

Statement showing the amounts disbursed and utilisation certificates still outstanding therefor from the various State Boards for the period upto 1960-61 and thereafter during 1961-62 and 1962-63 (at on 31-12-1963)

Sl No	Name of the State Boards	Upto 1960-61 Funds Disbursed	U Ga outst- ing	1961-62 Funds dis- bursed	U Ga outstand- ing	1962-63 Funds dis- bursed	U Ga outstand- ing	(Amount in Lakhs)		Total U Ga outstanding (Col 4 & 8)
								Total Amount disbursed (Col 3 & 7)	Total Amount outstanding (Col 4 & 8)	
1	2	3	4	5	6	7	8	9	10	
1	Andhra	199.19	25.57	70.42	14.15	174.23	26.10	443.84	63.82	
2	Assam	74.61	17.49	19.35		23.32	12.72	117.28	30.21	
3	Bihar	333.12	13.50	103.15	9.49	108.75	28.66	550.01	51.83	
4	Gujarat	A } 248.46 47.21	47.21	79.42	47.36	108.68	73.97	A } 436.56 47.21	A } 121.83 47.21	
5	Jammu & Kashmir	0.71		5.50	0.40	7.82	7.28	14.03	7.68	
6	Kerala	109.73	23.23	44.62	27.13	32.13	22.33	186.54	72.59	
7	Madras	123.71	0.01	138.13	1.12	197.06	49.10	448.90	50.29	
8	Madhya Pradesh	128.53	81.29	78.14		44.65	13.21	251.32	94.50	
9	Maharashtra	172.82	61.26	67.95	4.38	65.06	3.82	305.83	59.46	
10	Myore	A } 149.89 33.07	69.09 33.07	62.93	30.68	98.31	22.45	A } 311.33 33.07	A } 122.22 33.07	
11	Orissa	182.76	21.54	52.05	23.17	38.31	15.98	273.32	60.60	





### APPENDIX XIII

**Question No 13(a)** Do the State Boards submit their accounts to the Commission regularly

**Reply** The State Boards are required under the respective State Acts to submit their annual accounts to the State Governments/State Legislatures

The Commission however obtains and examines the audited accounts from the State Boards at the time of considering the budget estimates. Where the accounts are found to be in arrears, detailed discussions are held with representatives of the State Boards and time table drawn up for clearing the arrears in accounts

**Question No 13(b)** In these cases where the State Boards do not implement the programme themselves, but through other agencies, what is the control exercised by the Commission over the agencies?

**Reply** Institutions/Co-operative Societies implementing programmes of Khadi & Village Industries but receiving financial aid through the State Boards are under the direct supervision and control of the State Boards. The manner in which certain controls are exercised by the Commission over these implementing agencies is indicated below

- (i) In regard to Khadi Programme, the institutions/societies are required to be certified by the Certification Committee of the Commission. The Certification Committee has a system of auditing the transactions of the implementing agencies including verification about the genuineness of the production. These Audit Parties are attached to the Commission's State Offices under the control of the Certification Committee. The Certificates are required to be renewed every year and the renewal is refused or certificates suspended if any serious irregularities in the financial or other organisational aspect are noticed. The certificates are renewed only when the irregularities are rectified remedied by the implementing agencies
- (ii) The progress of execution of the various programmes of Khadi & Village Industries is generally watched and technical guidance provided, by the various Directorates of

the Commission. These Directorates have a small contingent in the field for this purpose.

- (iii) The internal audit holds a test-check in rebates and subsidies for Khadi production/sales received by the implementing agencies in addition to the pre-check of the claims done in the State Office of the Commission before payment.
- (iv) As already indicated in the earlier note the Commission also generally reviews the working of institutions/societies under the State Boards at the time of annual budget discussions with the representatives of the State Boards with particular reference to the unspent balances, confirmation of balances, utilisation certificates, repayment of loans and general functioning.

*Question No. 13(c):* Are the accounts of State Boards subject to audit of the Commission? If so, is such audit carried out regularly?

*Reply:* The accounts of the State Boards are subject to audit by the Accountants-General of the States, according to the provisions of the Acts of the respective State Legislatures. In recent years, the procedure of conducting a study of the working of the various State Boards has also been introduced. The study which is in the nature of administrative-cum-accounts-inspection is conducted by despatching special audit parties under the supervision of the Senior Officers of the Commission. If the report of the study team discloses serious irregularities or heavy arrears in accounts and other irregularities the matter is taken up at the highest level. So far, the working of two of the State Boards was discussed with the Chief Ministers and other Ministers of the respective States with a view to devising ways and means for improving the working. Similar discussions are also intended to be held in certain other cases also.

As already indicated in the earlier note, the general working of the State Boards and also of the institutions/societies assisted by them comes for review every year during the budget discussions by the Commission with the representatives of the State Boards. It is also now proposed to have the accounts of the State Boards audited by the internal auditors of the Commission.

*Question No. 13(d):* Terms and Conditions for relending the amounts received by the State Boards from the Commission, specifically provides that before advancing loans to the Institutions, legal documents should be got executed and the State Boards shall get the draft of such legal documents approved by the Commission in ad-

vance (Rule 6 page 58 of Act Rules and Regulations and Loans Rules)

Is this rule followed invariably in all cases?

The Estimates Committee (1961-62) in Paras 33—35 of their 167th Report recommended

The emphasis should therefore, be to create conditions in which mutual trust between the Institutions and the State Boards could be established and the State Boards could take the place of the Commission in their respective areas. The Committee recommend that the Commission should route all its financial assistance through the State Boards, which no doubt are in a better position to judge the suitability of an institution for assistance.'

In February 1963 the Government replied on the following lines with regard to this recommendation.

"The recommendation is accepted in principle. Most of the State Boards have been constituted quite recently and they are yet to acquire an adequate administrative machinery. For some time to come the Commission may have to continue to deal directly with some institutions in some States although there may be Statutory State Boards in them. Where State Boards are in a position to take over the responsibilities the Commission has in fact transferred its work to them routing all financial assistance through them."

(i) What further action has been taken in the matter?

Reply Clause 6 of the terms and conditions for relending the amounts received by the State Boards from the Khadi and Village Industries Commission has been amended vide Ministry of Commerce and Industry letter No 35[6]60-KVI (VIC) dated 12th February 1962 (copy enclosed). In view of the amended clause 6, it is not necessary to obtain the prior approval of the Commission to the drafts of legal documents that are adopted by the State Boards.

As regards the procedure of getting executed the legal documents before advancing loans to the institutions the Commission on the basis of audit reports of certain State Boards have come to know that many of the State Boards do not invariably comply with

this requirement. The action taken or proposed to be taken by the Commission in such cases will be ascertained as early as possible. The question of losses incurred by the State Boards is considered during budget discussions. In respect of certain State Boards the matter was also discussed with the Chief Ministers of the concerned State Governments. Similar discussions are also proposed to be held with other State Governments. However, it may be pointed out that it may not be possible, at this stage, to make a realistic assessment of the probable losses involved, if any, due to non-recovery of loan.

COPY

No. 35|6|60-KVI(VIC)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

New Delhi, the 12th February, 1962.

The Chief Executive Officer,  
Khadi & Village Industries Commission,  
Post Box. No. 482,  
Bombay-1.

SUBJECT : Loan—reloaning of funds by State Boards to Institutions—  
terms and conditions regarding.

Sir,

I am directed to invite a reference to this Ministry's letter No. 35|1|59|KVI(VIC), dated the 8th February, 1960, on the above subject, and to convey the approval of the Central Government to the following substituted for clause 6 of the annexure to that letter:—

“Before advancing loans to the borrower as defined in clause 1 above, the State Boards shall get executed by the borrower legal documents that is Hypothecation Deed and/or mortgage deed covering movable/immovables properties as security for the loan applied for.

In case these securities are not available or are found to be inadequate, the Borrower shall furnish sureties acceptable to the State Boards. In case the State Board is satisfied that it is not possible for the borrower to fulfil any of the aforesaid conditions, he shall agree to mort-

gag<sup>a</sup> the entire assets which may be existing at the time the loan is granted or which may be created thereafter from funds obtained by him from the State Boards as grants and or loans from time to time. The Borrower shall also certify that after the loan has been fully utilised the assets created out of the loans and grants received from the State Boards shall constitute a full security against the loan applied for. The term assets" shall also include sale proceeds and other cash balances held by the Borrower. Loan shall be a first charge on all assets created out of the loans and/or grants received from the State Boards. In case the existing assets are already subject to a charge against a prior loan received by the Borrower from any other sources the loans granted by the State Boards shall be a second or subsequent charge on such existing assets"

Yours faithfully,

Sd/-

H. K. BANSAL,

Under Secy to Govt of India.

Question No 13(d) —Terms and Conditions for reloaning the amounts received by the State Boards from the Commission specifically provides that before advancing loans to the Institutions legal documents should be got executed and the State Boards shall get the draft of such legal documents approved by the Commission in advance (Rule 6 page 53 of Act Rules and Regulations and Loans Rules)

Is this rule followed invariably in all cases?

The Estimates Committee (1961-62) in Paras 33—35 of their 167th Report recommended

The emphasis should therefore be to create conditions in which mutual trust between the Institutions and the State Boards could be established and the State Boards could take the place of the Commission in their respective areas. The Committee recommended that the Commission should route all its financial assistance through the State Boards which, no doubt, are in a better position to judge the suitability of an institution for assistance"

In February, 1963, the Government replied on the following lines with regard to this recommendation:

"The recommendation is accepted in principle. Most of the State Boards have been constituted quite recently, and they are yet to acquire an adequate administrative machinery. For some time to come, the Commission may have to continue to deal directly with some institutions in some States although there may be Statutory State Boards in them. Where State Boards are in a position to take over the responsibilities, the Commission has, in fact, transferred its work to them, routing all financial assistance through them."

(ii) What is the present position?

*Reply 13(d) (ii):*—The Commission has already divested itself of dealing direct with the institutions in the case of Gujarat State. Likewise, action is in progress in relation to the direct trading activities have been transferred and Andhra Board already. Action is under way for transfer of Commission's work in Madras and Maharashtra to these State Boards.

## APPENDIX XIV

### Para IV (ii) Institutions/Societies

Question No 14 (i) —Did the Commission advance loans and grants directly in all these cases of the institutions? If not, please furnish the numbers to which loans etc were given direct and the number to which these were given through State Boards?

Reply —The table indicated under Para IV(ii) of the Audit Report on Annual Accounts of the Commission for the year 1963-64 exhibits the position of amounts of loans and grants for which neither the UCs nor the refund of the unspent balances have been obtained from the registered institutions Co-operative Societies directly aided by the former All India Khadi and Village Industries Board and later by Khadi and Village Industries Commission

Question No 14(ii) —What action was/had been taken to obtain the certificates or refund in the cases of institution/societies which are now defunct?

Reply —Majority of the Institutions that have become defunct are Co-operative Societies. The Commission takes up the matter regarding defunct Co-operative Societies with the Registrars of Co-operative Societies with a request to ensure that the unspent balances of the grants as ascertained from the records of the Commission and the outstanding loans are refunded to the Commission immediately. Action to liquidate the societies or to appoint arbitrator under the respective State Co-operative Societies Acts is also being resorted to as the circumstances warrant. Similarly, in the case of defunct Registered Institutions, efforts are made to recover the dues of the Commission (both unspent grants as worked out from the records of the Commission and the outstanding loans) through the normal channels viz., by utilising the good offices of the State Boards the State Industries Departments by taking over the assets of the defunct Institutions etc. If these efforts fail, action is taken to appoint arbitrator under the relevant provision of the Hypothecation Deed or to initiate Legal proceedings as the circumstances necessitated.

Question No 14 (iii) —Is there any system of verification of antecedents of societies or institutions or their office bearers before funds are advanced? Was it done in the case of all the institutions?



*Reply:—*The recommendations of the officers of the Co-operative department, the State Boards and other Governmental agencies, wherever available, are obtained before release of funds to the Co-operative Societies, registered institutions, etc. The certification wing of the Commission also considers the aspect of the capacity of the institution for implementing the programmes of the Commission before issuing certificates.

(2) There is a very detailed and elaborate procedure for submission, scrutiny and sanction of applications for financial assistance. All demands for financial assistance are considered after full examination and recommendation by the Directors in charge of the various Industries regarding the capacity of the institutions for implementing the programme, the antecedents of the institutions applying for financial assistance, the potentialities of the region where the programme is proposed to be undertaken, etc., with a view that the execution of the programme does not suffer due to procedural delays. The necessary detailed scrutiny is done once in a year at the time of budget discussions and an Agreed Programme is drawn up as explained in reply to question No. 4(e) (II).

*Question No. 14(iv):—*In how many cases out of these, further loans and Grants were given after their failure to furnish certificates?

*Reply:—*In the past, sanction and disbursement of further assistance was not made strictly dependant on the receipt of utilisation certificates for the earlier payments. The reasons for such a course were:—

(i) Institutions are allowed a normal period of 12 months for utilisation of the funds. Utilisation Certificates can be had after the accounts are checked by the Internal Audit staff when they visit the societies.

(ii) The Government of India Ministry of Commerce and Industry in their letter No. 37/2/60/KVI (VIC), dated 23-3-61 had accorded sanction for utilisation of funds disbursed upto 57-58 till 31-1-1960. Subsequently at the instance of the Commission, the Government of India have allowed the period of utilisation to be extended by 12 months over the normal period (*vide* Government of India, Department of Social Security's letter No. 37/2/60/KVI(P) dated 2-3-1965).

(iii) The assistance extended to any society relates to various industries under which payments spreading over a year are made.

(iv) If there are arrears in submission of utilisation certificates in respect of particular payments relating to one or two industries,

it cannot be considered that the Institutions as a whole failed to submit utilisation certificates in respect of all the funds disbursed in earlier years

Having regard to the above further release of funds was based on the performance reports received the reports of the technical and field staff etc. However in accordance with the recommendation of the P.A.C. the State Boards and Institutions financed by the Commission have been informed that failure to furnish Utilisation Certificates in time would entail suspension of further assistance

Question No 14(v) —What is the present position in respect of these cases? Please furnish the figures year wise

Reply —The figure of Rs 35.40 lakhs shown in the table given under para IV(u) of the Audit Report on the annual accounts of Khadi and Village Industries Commission for the year 1963-64 for which neither utilisation certificates nor refund of unspent balances had been obtained has been brought down to Rs 14.87 lakhs as on 28-12-1965 the details of which are given below year wise as desired. Special steps have been taken to obtain utilisation certificates for the balance amount

Year	Amount for which U Cs are yet to be Received
(Figures in lakhs of Rs.)	
1957-58	
1958-59	2.7
1959-60	1.70
1960-61	0.73
1961-62	5.92
	3.73
	<hr/> 14.87 <hr/>

## APPENDIX XV

*Question 15(i):*—"It has been stated in the Audit Report that delay in furnishing utilisation certificates in respect amounts disbursed during the year 1962-63 is due to arrears in internal audit which is stated to have been taken in hand very recently.

(i) A detailed note describing the working of the internal audit of the Commission may be furnished. The note should indicate the present strength of staff, the expenditure on them during the last three years and the volume of work done by them?

*Reply:*—The work of collecting utilisation certificates in respect of disbursements in 1962-63 was taken up somewhat late as the Commission wanted to entrust this work to the Chartered Accountants. However, the implementation of the scheme for audit by the Chartered Accountants took time. There was the question of selection of Chartered Accountants fixing their remuneration etc. It was, therefore, decided in the Commission's meeting held in January, 1965, to continue the work of audit and collection of the utilisation certificates by the Internal Audit Staff of the Commission. As soon as this decision was taken, the work relating to submission of utilisation certificates was taken up. Utilisation certificates to the tune of Rs. 16.11 crores out of total disbursement of Rs. 16.46 crores made to direct institutions in 1962-63 have already been collected leaving a balance of only Rs. 35 lakhs. The balance left is mainly due to non-availability of the Institutions' accounts etc. readily.

The State Boards have also been impressed upon from time to time make immediate and special arrangements for submission of utilisation certificates for the disbursements made upto the year 1962-63 and also to make suitable arrangements for the collection of utilisation certificates for the year 1963-64. They have further been requested to ensure that all the utilisation certificates in respect of the funds disbursed upto the year 1962-63 and during 1963-64, are furnished to the Commission, positively by December, 1965 and March, 1966, respectively.

(a) *Working of the Internal Audit:*—The Internal Audit Wing of the Commission functions under the general control of the Director of Inspection of the Commission who is an officer of the Indian Audit

and Accounts Service. The Internal Audit Staff is stationed at the Central Offices of the Commission Bombay as well as attached to the offices of the Commission in different States. The Internal Audit Staff in the State Offices is under the administrative control of the respective State Directors of the Commission and the Director of Inspection gives technical guidance and exercises overall control over the staff.

(b) *Main Functions of the Audit Staff* — (i) To visit the directly aided institutions for purpose of audit and collecting utilisation certificates for funds released by the Commission.

(ii) To conduct special audit/investigation of the resources of an institution wherever found necessary.

(iii) To conduct spot audit of routine and important matters in various institutions.

(v) To conduct annually complete audit of the account of the trading units departmentally run by the Commission and draw up the final accounts viz. Profit and Loss account Balance Sheet etc. for each financial year along with reports thereon.

(v) After the annual audit of the trading operations is over, the available Internal Audit Staff in the Central Office is utilised for the purpose of expeditious settlement of statutory audit objections processing of utilisation certificate disposal of urgent matters relating to Public Accounts Committee review of C.C.P.F. Accounts test audit of establishment bills etc.

(c) *Composition and strength of the staff* — The Internal Audit Wing has a sanctioned strength of 24 posts of Accountants in the scale of Rs 325-15-475 and 75 posts of Auditors in the Scale of Rs 210-10-290-15-320-EB-15-425 and 41 posts in the U.D.Cs scale of Rs 130-5-160-8-200-EP-8-256-FB-8-280-10-200. These excludes the staff at the headquarters office for settlement of audit objections processing of U.Cs and establishment work. They have been distributed in various State Offices and some are stationed at the Headquarters. Except at the Headquarters Office of the Commission and at Kakinada (where some production centres are being run directly by the Commission) there is normally one Accountant and 2/3 Auditors in each State.

(d) *Volume of work* — A list of payments made by the Commission in a year to the implementing agencies is dispatched to the different Internal Audit Parties in the States. They frame their own tour programme of audit under the directions of the State Director and proceed to the field. Thereafter they submit their reports/ utilisation certificates to the Head Office where these are further

processed and action taken for furnishing the utilisation certificates to the Audit/Government.

(i) The figures mentioned below will indicate the total volume of work in regard to submission of utilisation certificates and the volume of work done by the Internal Audit Staff for the last 3 years.

Year	Amount disbursed to Directly aided instns.	Amount for which U. Cs. are prepared (Amount in crores)
1960-61 . . . .	11.70	11.64
1961-62 . . . .	15.85	15.80
1962-63 . . . .	15.66	16.11

For this purpose, the Audit Parties had to visit approximately 1117 institutions in a year.

(ii) The annual accounts of the Commission have to be submitted to the Government of India/Audit by a fixed date i.e. 31st October every year after the close of the financial year. These accounts of the Commission also include the accounts of the trading activities of the Commission. There are 66 trading units involving Rs. 6.89 crores as capital investment. They prepare their accounts at the end of financial year. Audit staff stationed at the Head Office mainly undertakes the audit of accounts of these trading units. The Audit Staff stationed at Head Office also is assigned the work of processing the utilisation certificates received from all the State Offices and consolidation thereof.

(ii) The available audit staff in the Central Office as stated above is also utilised for clearance and disposal of the outstanding audit objections. During the period from 1963-64 to 1965-66 (upto 31-12-1956), 307 statutory Audit Reports with 6092 paras have been cleared

(iv) On an average, payments of the order of Rs. 4 to 5 crores are made every year towards rebate (now weaving subsidy) and subsidy claims for which Auditors are required to undertake the spot audit of these payments. This audit includes a detailed check of all payments to the extent of one week in a quarter. For this purpose the audit staff has to visit about 1850 institutions with about 3950, 3960 production and sales centres respectively. All the centres are required to be visited at least once in three years.

## (e) Expenditure involved

Year	Pay & Allowances	T A	Total
	Rs	Rs	Rs
1962-63	2 85,615 32	@	2,85 615 32 (Excludes T.A.)
1963-64	2 97 818 47	@	2,97,818 47 (Excludes T.A.)
1964-65	3 90 605 62	42,407 37	4 33,012 99

③ Figures are not separately available

NOTE -- The increase in expenditure in 1964-65 compared to that of 1963-64 is due to (i) Revision of pay scales of the staff from 1 7 1963 and payment of arrears and (ii) increased rates of dearness allowance sanctioned in April and July 1964 and February 1965

Question No 15 (ii) — What steps have been taken to clear the arrears by Internal Audit?

Reply — (a) As has been stated in reply to Question No 15 (i), the work of collecting utilisation certificates in respect of disbursements in 1962-63 to the directly aided institutions was taken up late as the Commission was contemplating to entrust this work to the Chartered Accountants. As the implementation of the scheme of audit by Chartered Accountants was getting delayed the work was taken up after January 1965 and U Cs to the tune of Rs 16 11 crores (out of the total disbursement of Rs 16 46 crores during 1962-63 made to directly aided institutions) have been collected as on 30 11 65. The work of collecting utilisation certificates in respect of disbursements made in 1963-64 has also been taken up and is in progress.

(b) Several steps have been taken to clear the arrears and for prompt submission of utilisation certificates in future as indicated below —

- (i) The position of U Cs is discussed during budget discussions and taken into account at the time of approving the programme and allotment of funds for the ensuing year
- (ii) Target dates have been fixed for securing utilisation certificates

- (iii) The Internal Audit Staff stationed at State Offices has been instructed to give priority to the work of procuring the utilisation certificates and that failure to submit utilisation certificates promptly for earlier payments will entail suspension of further assistance.
- (iv) Arrear clearance parties are being sent to visit the institutions and societies for ensuring, *inter alia*, that no U.Cs. remain outstanding.

Question No. 15 (iii).—The Working Group on Khadi & Village Industries have observed as follows in Para 3.50 Page 43 of their Report:—

"The Public Accounts Committee has repeatedly stressed the need to produce utilisation certificates as an earnest of the accountability of these institutions and the State Boards for the moneys granted to them. We agree with the P.A.C. that drastic steps should be taken by the Commission in regard to grant of further assistance to the State Boards and institutions which are not in a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. We should also suggest that where a State Board or an institution, in spite of several requests, persistently defaults in rendering proper accounts or furnishing utilisation certificates further assistance to such State Boards or institutions should be discontinued. We have no doubt that such a step while it might sound harsh, is likely to be more salutary and result in strengthening financial discipline and accountability for public funds."

Has any action been taken on that recommendation?

Reply:—In the past, sanction and release of further assistance was not strictly made dependent on the submission of utilisation certificates by the State Boards and institutions for the reasons enumerated in reply to Question No. 14 (iv). The Commission is now exercising stricter control and effective watch over the progress of expenditure of the funds placed at the disposal of the State Boards and institutions. This is achieved by the introduction of the system of granting "Imprest" to the State Boards and Institutions and recoupment of expenditure incurred therefrom. As stated in reply

to Question No 20(ii) the importance of prompt submission of the utilisation certificates is being continuously discussed in the meetings of the State Boards. The matter has also been taken up with the State Boards at the highest level.



## APPENDIX XVI

(See Paras 4.48, 4.73)

*Para IV (iii)—Adarsh Ambar Sahakari Mandal:*

*Question 16(i).—*Were the Commission aware that the M.P. Board also were advancing loans to the same Society?

(ii) Is it the practice to advance loans or grants to the same body for the same purpose both by the Commission and by the State Board?

*Reply.*—It has been found that in this particular case, Commission's State Office, at Ujjain was never referred to by the State Board at the time of sanction and release of funds.

It was not envisaged that assistance should be extended for the same purpose to any individual body both by the Commission and the State Board. However, a few instances came to the notice of the Commission in which institutions on the direct list of the Commission were found to have received funds from the State Boards. This question was considered by the Commission and it was decided that all institutions engaged in Khadi & Village Industries work should receive financial assistance from one source only i.e. either the Commission or the State Board and that they should not tap both these sources for the purpose. Instructions to this effect were issued to all concerned in September, 1964.

*Question No. 16(iii).—*Were utilisation certificates received in respect of any of the loans? If not, why were further loans given?

*Reply.*—As explained in reply to Question No. 14 (iv), submission of U.Cs to earlier payments was not enforced strictly for payment of further assistance as such a step would have impeded execution of the programmes. However, U.Cs. for the disbursements (both loans and grants) made to Adarsh Ambar Sahakari Mandal, Ujjain, upto 31-3-1961 have been received.

In respect of the following three payments made during 1961-62, however, the U Cs have not yet been received

Date of Payment	Loan Amount		Scheme
	Rs	P.	
3-10-61	1,950	00	Finishing Centres
23-11-61	65,904	06	Traditional Khadi
31-3-62	87,538	91	Do

It may be stated in this connection that the Commission had not come to know of any mismanagement in the Institution at the time of payment of the above said loans. Auditor reported that the books were not available because of the action taken by the Cooperative Department etc. Audit is being arranged.

Question No 16(iv) — Did the inspectors of the Commission or Internal Auditors know of any mismanagement in the affairs of the society earlier than 1964?

Reply — The audit conducted by the internal auditors of the Commission prior to 1964 was confined to obtaining utilisation certificates and thus had a very restricted scope. The utilisation certificates furnished by the Auditors indicated that cash book, ledger and vouchers etc., were being maintained properly. The Balance Sheet of the society as on 30-6-1963 was checked and certified by the Chartered Accountants and showed a profit of Rs 501-28. The Balance Sheet as on 30th June, 1964 prepared by the society but not audited only showed a loss of Rs 1,43,125-46.

It was only in or about April, 1964 that the Commission came to know that the Society had incurred a heavy loss. In May, 1964, the Joint Director of Industries-cum-Joint Registrar of Co-operative Societies, Indore, MP was requested by the Commission to order an enquiry into the constitution, working and financial position of the society and also to assess the possibility of recovering the Commission's dues.

Question No 16(v) — Has the report of the Joint Registrar of Co-operative Societies been received since? If so what are the findings? What action has been taken on the report?

*Reply.*—A copy of the report on the complaint against the Adarsh Ambar Sahakari Mandal Ltd., Ujjain, submitted by the Assistant Registrar of Co-operative Societies, Ujjain under his letter No. Ind-Coop./64/3871, dated 16th November, 1964 to the Joint Director-cum-Jt. Registrar, M.P. has been received in this office in July, 1965.

The report contains *inter alia*, the following irregularities:—

- (i) Fictitious production and sales to the tune of Rs. 39,424:97 and Rs. 1,25,192:75 respectively were shown in the books of accounts of the Society.
- (ii) Another society the Laghu Udyog Sahakari Samiti Ltd., Ujjain was organised by most of the members of the Adarsh Ambar Sahakari Mandal Ltd., Ujjain and has staff of the Ambar Mandal obviously to show the fictitious printing, dyeing the sewing work and to obtain bogus bills for the same.
- (iii) Khadi hundies were not actually sold. The hundies were shown as handed over to some persons for effecting sales. The amount of hundies handed over to various persons for sale was debited against their names. Sale proceeds of hundies amounting to Rs. 14,154:25 is yet to be recovered.
- (iv) Hire purchase loan received by the Society was not fully utilised for the purpose for which it was given.
- (v) The land for construction of building was purchased from Ex-President of the society.

The State of affairs of the Society was, therefore, reported to be far from satisfactory warranting an enquiry into the constitution, management and the financial affairs of the society.

Subsequently, the Managing Committee of the defunct society had been superseded by the Asstt. Registrar, Co-operative Societies, Ujjain under his order No. 707 dated 17th February, 1965 and a new Committee consisting of the representatives of the Commission's state office at Ujjain, M.P. State Board and the Society was constituted to take out an inventory of the stocks and assets etc. This newly constituted Committee has submitted its full report to the Asstt. Registrar, Co-operative Societies, Ujjain in August, 1965. The Committee has suggested to wind up the affairs of the Society by

taking it into liquidation at the earliest. The Committee also suggested that the property of the Society be attached under the powers delegated to the Asstt Registrar Co operative Societies under provisions of the Co operative Act. The criminal proceedings against the office bearers of the Society responsible for mis management have also been suggested. Further development is awaited.

## APPENDIX XVII

(See Para 4.87)

### *Para (V)—Palm Gur Industry:*

#### *1. Grants to an Institution*

*Question 17 (i).—*What was the position of the trees planted when the Second Grant of Rs. 8,695/- was given to the Institution in May, 1963? How many trees were surviving at that time?

*Reply.*—Against the grant of Rs. 12,840/- paid in November, 1961, for the new scheme of Palm Plantation, the expenditure actually incurred was Rs. 21,535.42 upto August, 1962 as reported by the Sarva Seva Sangh (National Palm Gur Memorial) in September, 1962.

The Sarva Seva Sangh requested reimbursement of excess expenditure of Rs. 8,695/-. According to the report of the work done obtained at the time of considering the request, it was seen that about 10,000 trees were planted under the directions of 2 persons and this plantation did not succeed and most of the trees did not survive. The second attempt of planting 200 trees was made under the direction of a different person when 165 trees out of 200 trees survived.

*Question 17 (ii).—*What are the reasons for only 165 trees surviving out of 10,200 trees stated to have been planted?

*Reply*—As stated above, it was in the second attempt when 200 trees were planted 165 survived—As regards the first attempt for planting 10,000 trees, the land selected for transplantation of grown up date palm trees proved unsuitable. The place was a rocky one. During transplantation, trees got uprooted. Further lack of continuous watering after transplantation also resulted in the non-survival of the trees.

### *Para (V)—Palm Gur Industry:*

*Question 17 (iii).—*In May 1963, it was known that only 165 trees had survived. Why was then a further grant of Rs. 6,460/- given for maintenance of only so few trees?

*Reply*—At the time when the amount of Rs. 6,460/- was sanctioned it was considered that the original scheme should not be

abandoned. The amount of Rs 6460/ was required for the following items

(i) Manuring	Rs 2 000/-
(ii) Watering Equipment	Rs 2,200/-
(iii) 4 Labourers for one year for maintenance and care taking	Rs 2 160/-
(iv) Misc expenses	Rs 100/-
	<hr/>
	Rs. 6 460/-
	<hr/>

It has however been found that an expenditure of Rs 221 49 has been incurred on maintenance and the institution has since refunded the balance amount of Rs 6,238 51 in 12/65

Question 17 (iv) —Has any further investigation been made to see whether 165 trees are still surviving?

Reply —No further investigation has been made because the Sarva Seva Sangh is a reliable institution and its bonafides are not suspect. It can be said that its judgment did not prove to be correct and expectations did not materialise. They have proved to be unjustified.

## APPENDIX XVIII

(See Paras 4.93, 4.94)

*Question No. 18 (i).—*What are the extraordinary circumstances under which the Commission reeased grants and loans in July 1962 and again in January, 1963, despite the communications from the State Government in April, 1962, and November, 1962, respectively?

*Reply.—(i) Release of grant and loan in July, 1962*

Although the Minister for Industries and Commerce, Mysore, in his demi-official letter no. MIC/409/62, dated 16th April, 1962, conveyed the Government's policy decision that no New Neera Centres should be opened in the State and that renewal of licences for existing neera centres should not be granted after the expiry of their present period of validity, it was also stated therein that the question of reconsidering the decision was however under consideration. The State Government in an earlier communication bearing Commerce and Industries Department No. Cl. 21. RKD-62 dated 9th March, 1962 had also informed that while the question of permitting the sale of neera in Centres under the auspices of the State Khadi & Village Industries Board was still under the consideration of the Government, there was no difficulty so far as the State Government could see in the Board implementing the palm-gur schemes as in the previous years.

The funds for the year 1961-62 were sanctioned as far back as November, 1961, but were not released pending receipt of the progress report and the expenditure statement and also in view of the uncertain policy in regard to Palm Gur, although the State Board in its letter dated 27 January, 1962 had again asked for the release of funds and were pressing for the same. Subsequently having regard to this position and considering the fact that the State Government was only averse for the sale of Neera owing to the prohibition policy and was not against the use of Neera for the manufacture of palm-gur and other products, the Commission released the loan and grant of Rs. 2,38,800 and Rs. 1,43,970/- respectively on 13th July 1962 with a stipulation that the amounts should be expended within 3 months and any unspent balance should be returned to the Commission.

## (ii) Release of Gur and Loar in January 1963

The Government of Mysore in their letter No CI 2091-R1/62, dated the 2nd November 1962 informed the Commission that the State Government had decided not to renew with effect from 1st October 1962 the licences of Neera centres. As regards the grant of renewal of licenses for tapping Neera for manufacture of palm gur the matter was under the consideration of the Government.

Immediately on receipt of this communication the matter was taken up with the Chief Minister of Mysore pointing out the adverse effect the Government decision would have on the working of the co-operative societies some of which were engaged in the sale of neera as a health beverage and utilised only the surplus neera for the preparation of gur. The major portion of the amount provided in the budget was for production of palm gur palm sugar and other palm products. It was also reported in December, 1962 by the Commission's Technical Adviser that the State Government had already decided to grant licenses for tapping neera for gur and sugar production. Even Neera sale licence issue was also under re-examination of State Government. In these circumstances the Commission released the funds in January 1963. It may also be mentioned here that the State Government have since accepted the State Board's request in recognising the State Board as recommending authority in the matter of issue of licenses to the palm gur societies.

It will thus be evident from the above that the main aim in releasing the funds for the manufacture of palm gur and other products was to save the thriving palm gur industry in the Mysore State and also a large number of tappers who were thrown out of job as a result of the introduction of the prohibition in Mysore State.

Para V (ii)—Mysore State Khadi & V I Board

Question 18(ii) —Has the State Board furnished the utilisation certificate since? If so how have they explained the utilisation, when financial assistance was not to be extended?

Reply —The total amounts of loans and grants paid in July, 1962 and the rest of the year (upto March 31 1963) were Rs. 7,23,300/- and Rs. 3,53,970 respectively. The State Board disbursed to the Societies Rs. 35,748/- and Rs. 34,730.79 rs by way of loan and grant leaving unspent amounts of Rs. 6,87,552/- and Rs. 3,19,239.21 ps. The unspent amounts were refunded to the Commission in December 1963. The State Board has furnished so far utilisation certifi-



cates for an amount of Rs. 30,338.79 (Grant). The State Board has intimated that action has been taken to obtain and verify U.Cs. for the remaining amounts from the Institutions to whom the loans and grants were disbursed.

*Question 18 (iii).*—What is the present position regarding the recovery of Rs. 25,000/- due from the Mysore State Board, as referred by P.A.C. in para 68 of their 7th Report (Third Lok Sabha)?

*Reply.*—The balance of Rs. 25,000/- has since been recovered.

*Para V (ii)—Mysore State Khadi & V.I. Board:*

*Question No. 18 (iv).*—Has the attention of the Commission been drawn to para 64 page 67 of the Report of the Mysore P.A.C., on the Appropriation and Finance Accounts of the Government of Mysore for 61-62 and the Audit Report, 1963, which is reproduced below:—

“64. About the affairs of the Khadi Board, the less said, the better, as enough has been said already. The affairs of the Board have become the target of criticism and it remains to be seen when it will be set right. The irregularities such as non-maintenance of accounts, non-accountal of cash balance and cases of mis-appropriation are of a serious nature and it appears no attention has been paid by the Board to improve matters.”;

If so, what action is proposed to be taken by the Commission to safeguard the loans given by them?

*Reply.*—The Mysore State Khadi & Village Industries Board is a Statutory Body accountable to the State Legislature and is under the administrative control of the State Government. The accounts of the State Board are audited by the Accountant General, Mysore.

The Commission had the affairs of the Board generally examined in 1963 as soon as it came to its knowledge that the accounts of the State Board were not properly maintained. In April, 1964, the Commission again sent a study team under a Senior Officer for conducting administrative-cum-accounts study of the working of the State Board. The Commission took up the matter on the basis of those examinations with the State Board in July, 1964. These were further discussed in the presence of the Chief Minister in December, 1964. As a result of these discussions, a time-schedule has been drawn up for compilation of the accounts of Board.

(a) The State Board has completed compilation of accounts upto 1964-65 except in respect of two direct centres. The State Board has also completed internal audit upto 1963-64 except that relating to three centres

(b) Several other decisions were also taken regarding the financial management at the meeting and it was agreed that the administrative expenditure would be brought down, direct centres run by the State Board which were incurring losses should be closed and a Financial Adviser and Chief Accounts Officer of I.A. & A.S. cadre should be appointed

(c) The State Board has closed down all direct trading activities, which were not economically justifiable. All losing centres have been closed down from July, 1965

(d) The State Board has also taken steps to institute cases against the officials by lodging complaints with the police. In certain other cases the officials had been kept under suspension pending enquiry. In some cases regular enquiry officers were appointed and their final reports were awaited

(e) It was also decided that the position about cases of misappropriation, etc. should be reviewed at a meeting to be held every month where Minister, Co-op, Minister, Industries and Commerce, Chairman of the State Board, Inspector General of Police and Registrar of Co-operative Societies and other officers concerned should be present. This procedure is being followed

## APPENDIX XIX

(See Para 5.70)

*Question No. 19(i).*—What are the reasons for not obtaining acceptance of balance from 54 offices, out of 72 holding the imprest?

*Reply.*—The imprest cash balance under Khadi (Rs. 0.26 lakhs) and Village Industries (Rs. 7.92 lakhs) as on 31st March, 1964 referred to in Para VI of the Audit Report on the annual accounts of the Commission for the year 1963-64 were held by 72 departmental offices of the Commission. The work of reconciliation, taken up in the month of July, 1964 has so far been completed in respect of 38 offices, and 6 State Offices which have been closed down have refunded the imprest balances. The remaining 28 departmental offices have been impressed upon to expedite the work of reconciliation and confirm the balances.

Transactions for all the years upto 1962-63 need to be gone through wherever differences between balances as per Commission's books and those according to the books of out-station offices have come to notice. This has mainly delayed the completion of the work of reconciliation in the remaining cases.

### *PART—VI. Miscellaneous*

*Question No. 19(ii).*—Why do the figures of imprest as available on the records of the Commission not tally with the figures shown in the accounts?

*Reply.*—In the past the imprest amounts were erroneously classified under the head contingencies. At the time of the compilation of the Annual Accounts the figures relating to imprest used to be ascertained and incorporated in the Annual Accounts. During 1963-64, the practice of booking imprest transactions under the head 'Imprest' was started so that the balances are carried forward and watched in the Accounts from year to year.

As stated against answer to Question 19(i) the work of reconciliation was started from July, 1964, and in respect of 50 officers the work has been completed. As the transaction for all the years

upto 1962-63 are required to be gone through in case of differences between the balance as per Commission's books and those according to the books of the Departmental offices there has been delay in finalising the remaining cases. All efforts are being made to complete the reconciliation as early as possible.

Question No 19(m) —Have Government considered the suggestions made by the Working Group about imprest at para 3 62, pages 49 50 of their Report?

Reply —The various suggestions made by the Working Group on the Khadi and Village Industries were to be examined in the light of comments thereon by the Khadi and Village Industries Commission. Detailed examination of the Report has been undertaken very recently and it will be some time before decisions on the various recommendations are taken. The suggestion under reference is yet to be examined by Government.

## APPENDIX XX

(See paras 4.58, 5.94)

### GENERAL

#### *Unsatisfactory working of and Irregularities in the Khadi and Village Industries Board/Commission*

Question No. 20 (i).—The P.A.C. have repeatedly commented upon various irregularities disclosed in the working of the Khadi and Village Industries Board/Commission. Attention in this connection is invited to:—

(1) Para 69 of 15th Report of P.A.C.  
(1st Lok Sabha).

(2) Paras 19-20 of 18th Report of P.A.C.  
(2nd Lok Sabha).

(3) Para 19 of 25th Report of P.A.C.  
(2nd Lok Sabha) Vol. I.

th. (4) Paras 15—40 of 34th Report of P.A.C.  
boi (2nd Lok Sabha).

con. (5) Paras 21—27 of the 42nd Report of P.A.C.  
of rec (2nd Lok Sabha).

Paras 57—69 of the 7th Report of P.A.C.  
(3rd Lok Sabha).

on t' (7) Paras 1—11 of the 19th Report of P.A.C.  
in (3rd Lok Sabha).

(8) Paras 45—54 of 38th Report of P.A.C.  
(3rd Lok Sabha).

Notes showing action taken on the recommendations contained in paras 57, 59, 60, 63, 64, 65 and 67 of the 7th Report (Third Lok Sabha) and paras 1—11 of 19th Report (Third Lok Sabha) and paras 45—54 of 38th Report (Third Lok Sabha) are still awaited from the Department of Social Security.

(i) What are the reasons for so much delay in furnishing the

notes? (The 7th Report was presented in March, 1963, the 19th Report in February, 1964 and 38th Report in April, 1965).

Reply—A statement showing the present position of the outstanding recommendations of the P.A.C is enclosed, an abstract of which is given below —

	7th Report (IIIrd Lok Sabha)	19th Report (IIIrd Lok Sabha)	38th Report (IIIrd Lok Sabha)	Total
(1) No of paras 7 shown as outstanding	57, 59, 60, 63, 64 65 & 67	II (1 to 11)	10 (45 to 54)	28
(2) Replies already sent (including 5 interim replies)	57, 59, 60 63 & 65	3 (6, 8 & 9)	1 (54)	9
(3) Replies being sent				
(4) Draft replies sent to Audit Ministry of Finance for vetting		3 (1, 2 & 3)		3
(5) Replies which are in correspondence with the Commission/others	2(64 & 67)	5 (4, 7, 8, 10 & 11)	9 (45 to 53)	16

The delay in furnishing replies is due to the time consumed in obtaining all the relevant facts and figures from the Khadi and Village Industries Commission (which has in turn to deal with a large number of institutions—over 1000 institutions, and 17,000 Co-operative Societies—spread throughout the country) processing them getting them vetted by the Ministry of Finance and Audit including revisions of the replies in the light of their comments and furnishing the final replies to the Lok Sabha Secretariat. All these processes inevitably take time. However, every effort is taken to ensure that replies are finalised as speedily as possible.

Statement showing the position of the replies to the outstanding recommendations of the P.A.C mentioned in Question No 20

Sl No	Report Number	Para No of the Recommendation	Brief subject and present position
1	7th Report (Third Lok Sabha)	57, 59 and 60	Regarding outstanding Unilisation Certificates and over-due loans

Sl. No.	Report Number	Para No. of the Recommendation	Brief subject and present position
			<p>Replies have been sent to Lok Sabha Secretariat <i>vide</i> this Department's O. M. No. 5(2)/63-KVI (A &amp; E) Pt. VI dated 18-9-65.</p>
		63	<p><i>Regarding reduction in the cost of production of Khadi.</i></p> <p>An interim reply has been sent with the above O.M. and the Khadi &amp; Village Industries Commission has been addressed for furnishing a complete reply. The same is awaited.</p>
		64	<p><i>Regarding the Saghan Kshetra Vikas Samiti, Dhanapura.</i></p> <p>In pursuance of the recommendations of the P.A.C., Government appointed an officer to conduct a thorough investigation into the irregularities pointed out by the P.A.C. The Officer has since submitted his Report. Government have accepted the recommendations contained in his Report and have asked the Commission to take action on them. A reply to para 64 will be sent to P.A.C. separately.</p>
		65	<p><i>Regarding Saghan Kshetra Yojana Samiti, Zariawadi.</i></p> <p>Reply has been sent to Lok Sabha Secretariat, in this Department's O. M. No. 5(2)/63-KVI (A&amp;E) Pt. V dated 6-11-1965.</p>
67		67	<p><i>Irregularities in giving financial assistance for Exhibitions.</i></p> <p>The Commission is preparing two sets of regulations for the conduct of exhibitions and for</p>

Sl No	Report Number	Para No of the Recommendation	Brief subject and present position
			maintenance of accounts A reply will be sent to Lok Sabha Secretariat separately
2	19th Report (IIIrd Lok Sabha)	1	<i>Regarding non-repayment of loans given by Government to the Commission and the need for a new approach to Government policy in this respect</i> Draft reply to P.A.C has been prepared and sent to audit for vetting
		2 & 3	<i>Regarding outstanding Utilisation Certificates and overdue loans</i> A draft reply to P.A.C has been prepared and sent to the Ministry of Finance.
		4	<i>Regarding Gram Eka programme</i> This is under examination
		5, 6 and 8	<i>Regarding defalcations in Andhra Zone, working results of trading units of the Commission and Idle Bone Digesters</i> The draft reply to P.A.C. has been vetted by audit Replies to paras 6 & 8 have since been sent while para 5 is under finalisation in consultation with the Commission
		7	<i>Regarding Refund of profits to Government through D.G.S. &amp; D</i> The matter is under consideration in consultation with the Ministry of Finance
		9	<i>Regarding Irregularities in the payment of funds to Bhopal Rayas Khadi Gramodyog Sangh</i> Reply has been sent to P.A.C



Sl. No.	Report Number	Para No. of the recommendation	Brief subject and present position
		10	<i>Regarding Disposal of sub-standard Khadi.</i> A craft reply to P.A.C. has been finalised and is under examination in consultation with the Ministry of Finance.
		11	<i>Regarding Maintenance of block accounts of assets created out of funds given by the Khadi &amp; Village Industries Commission.</i> This is still under examination.
3	45 to 53 38th Report (IIIrd Lok Sabha)	45 to 53	The Commission's replies to "all the paras are awaited. It is being reminded regularly.
		54	<i>Regarding revision of pay scales of Commission's employees.</i> A reply to P.A.C. has been sent.

### Question 20 (ii):

A note indicating improvements in procedure, accounts, management etc., as a result of the action taken on the recommendation of P.A.C. may be furnished.

The steps taken to improve the procedure, accounts, management etc., are indicated below in brief:

(i) *Budgeting*.—In order to have a realistic budget and also with a view to ensure that no funds are allowed to remain with the implementing agencies in excess of requirements, the Commission has introduced the system of budget demands, discussions and allotments and 'Imprest'. The detailed procedure has been indicated in the reply to Q. No. 4(e) (ii).

(ii) *Working Fund*.—The system of providing funds to the implementing agencies for the production and sales programme has been revised by providing them with "Working Fund" instead of loans. The quantum of funds is to depend upon and is to be regulated with reference to the particular levels of production and sales.

This system would enable the implementing agencies to continue their programmes, which it was felt suffered in earlier years due to depletion of capital for sometime as a result of the annual repayment of loans

(iii) *Performance Reports*—It has been decided that the implementing agencies should submit to the Commission the prescribed performance reports periodically. Such performance reports would enable the Commission to satisfy itself about the progress of execution of the various schemes and the financial assistance given

(iv) *Utilisation Certificates*—The recommendations of the P.A.C. contained in their 7th and 19th reports have been brought to the notice of the State Boards and the institutions financed by the Commission. It has been made clear to them that failure to furnish UCs in time would entail suspension of further assistance. The importance of prompt submission of the UCs has been brought to the notice of the State Boards from time to time and has also been explained in the meeting recently held with F.A. & C.A.Os. and Secretaries/CEOs of the State Boards. The matter has also been taken up with the State Boards at the highest level.

So far as the recovery of unspent balances is concerned, determined efforts have been and are being made to effect recoveries. It may not be out of place to mention here that with the introduction of the system of 'Imprest' and 'Working Fund', the chances of unspent balances remaining with the institutions or State Boards are very remote.

(v) *Recovery of over-due loans*—The Commission has set up a Special Recovery Cell under a Senior Officer of the Commission. The Staff of the cell has also been augmented recently. The Industry and Programme Directors of the Commission have been directed to ensure that the defaulting institutions pay up the dues immediately. Legal proceedings/liquidation proceedings are resorted to should the efforts fail through other means. The loanee institutions have been impressed upon through a circular that the application for further assistance will not be considered by the Commission unless the defaults are cleared. The Commission also reviews at its monthly meetings, the progress of recovery of over-due loan amounts.

(vi) *Accounting and Audit*—The Commission feels that the system of accounts requires reorientation. With this object the system of accounts is being got examined by a firm of Chartered

Accountants to effect simplicity and adequacy so that the essential information normally required is readily available.

(vii) *Study of the State Boards.*—In recent years, the procedure of conducting the study of the working of the various State Khadi & V. I. Boards has also been introduced. The study, which is in the nature of an administrative-cum-accounts-inspection, is conducted by deputing special audit parties under the supervision of senior officers of the Commission. If the report of the study team discloses serious irregularities or heavy arrears in accounts and other irregularities the matter is taken up at the highest level. The Commission has also decided to strengthen the internal audit staff especially to have a periodical inspection of the State Khadi & V. I. Boards.

(viii) *Administration.*—An Administrative Improvements Committee was appointed by the Commission in March, 1964 to study the administrative machinery with a view to suggesting measures for economy and efficiency, etc. The recommendations made by the Committee are under implementation.

(ix) *Pattern of Assistance.*—The Commission appointed in June, 1962 a Patterns Committee to examine all the patterns of assistance then existing and suggest revision, if necessary. The report submitted by the Committee has been accepted by the Commission. The Commission has also constituted a permanent Patterns Committee to review, from time to time, the various patterns of assistance in regard to their adequacy, continuation, utility etc.

(x) *Standing Finance Committee (Special).*—Some important matters and general issues of importance are discussed in detail monthly by the S.F.C. (Special) on the eve of the Commission's meeting.

Sd./- S. C. SEN GUPTA,

Joint Secretary to the Government of India.

New Delhi;

Dated, 10th January, 1966.

# APPENDIX XXI

Question No 21—What are the steps stated to have been taken with regard to misappropriation of funds etc in the Khadi Gramodyog Bhandars and in handpounding rice industry as referred to in answer to starred question No 322 dated 22.9.1954 in Lok Sabha?

Reply (i) The Managers of Trading Units including Khadi Gramodyog Bhavans etc and the Commission are required to report immediately to the Commission any cases of misappropriation, fraud, theft fire etc., soon after their occurrence. As per the procedure they have to take the following steps—

- (a) In cases of misappropriation or fraud, detailed investigation is to be conducted immediately and action taken to fix responsibility after departmental enquiry. Action has also to be taken to file Police Complaints wherever warranted. In the case of fire, burglary, theft etc., police cases are to be lodged in the ordinary course and the final outcome is to be watched.
- (b) Civil suits are also filed for recovery of the dues of the Commission from the individual held responsible for the acts if other measures for effecting recovery fail.
- (c) In addition to the departmental action adumbrated above, a detailed examination is also undertaken to find out the causes for the occurrence viz., whether it was due to negligence of any individual or individuals contributing for the acts. Necessary remedial measures are also taken wherever found necessary.
- (d) In Andhra, where the trading operations are spread over a large area and conducted departmentally there is also a system of periodical visits by Internal Audit Staff and Inspecting staff to the various units for conducting Internal Audit and surprise check of stocks stores and cash balances, etc.
- (e) Verification of antecedents of persons handling cash/stock responsibilities and covering them under Fidelity Guarantee Policies are also some of the measures adopted for the safety of the Commission's funds.

(ii) As regards the Handpounding of Rice Industry most of the production centres are financed through various State Boards. No cases of misappropriation have so far been reported by the State Boards. A case of diversion of loan paid to a Co-operative society has, however come to notice where steps have been taken to recover the amount involved.

New Delhi

Dated 15th January 1966

Sd/ S C SEN GUPTA  
Joint Secretary to the Govt of India  
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## APPENDIX XXII

(See Para 5.87)

*Question No. 22.*—It was stated in reply to Starred Question No. 177, dated 24-11-1964, in Lok Sabha that agreements with some parties in U.S.A. for export of Khadi goods were cancelled and no agreement or contract had been entered into with U.K. Government or with any private party in the U.K.

It has been stated, however, in Para 11.77 of the Report of the Working Group on Khadi and Village Industries (page 200) that about Rs. 6 lakhs worth of Khadi have, however, been exported to the U.K.

- (i) What is the correct position?
- (ii) Have Khadi goods been exported to any other country?  
If so, yearwise and countrywise figures for the last five years may be furnished?
- (iii) Have any steps been taken or efforts made so far for the export of Khadi goods to foreign countries?

*Reply:*—As mentioned in the reply to Starred Question No. 177 no long term agreements were entered with the U.S.A. or U.K. Supplies were made on specific orders in individual cases in the course of normal business.

Information relating to Export of Khadi is not available year-wise. However, Khadi worth Rs. 2,84,542 has been exported upto 1964-65 to the following countries.

U.S.A.	Rs. 2,82,623
Japan	" 1,659
France	„ 260
	<hr/> Rs. 2,84,542

In addition, an institution through its emporium in Bombay has also exported Khadi to U.S.A., U.K. and certain other foreign countries. The figure of Rs. 6 lakhs mentioned in the Report of the Working Group apparently refers to all such exports.

So far as Commission is concerned it has been decided not to enter into fresh commitments for export of Khadi until the Commission is in a position to assure timely deliveries and required quantity to the extent needed in export trade.

## APPENDIX XXIII

(See Para 571)

Question No 23—The Public Accounts Committee in Para 10 of their 19th Report (3rd L.S.) commented adversely upon the subsidised sales of sub-standard Khadi.

In this connection the Working Group on Khadi & Village Industries in Para 1126 (Page 207) of their Report have stated

"The position regarding accumulated stocks we regret to learn continues to be acute. On a special request from us the Commission obtained the figures of the stocks with institutions as on 31st March 1964 in order to obtain an idea of the magnitude of the problem and the steps to be taken on a permanent basis for avoiding the periodical recurrences of the phenomenon of accumulations. These figures reveal that as on 31-3-1964 the Institutions carry a stock valued at Rs 13 crores of which Rs 7 to Rs 8 crores are cotton Khadi and Rs 3 to 4 crores woollen Khadi. This accumulation is nearly 50 per cent of the estimated value of production in 1963-64. We do not consider this at all a normal situation and would therefore suggest to the Government & the Commission to consider this matter and suggest some permanent solution which may include a periodical review say once a year of the stock situation and the writing off, if necessary, of the losses that may be occasioned as a result of the periodical disposal of accumulated and sub-standard cloth at a reduced price."

However, in answer to Starred Question No 1280 dated 11-5-1965 it was stated in Lok Sabha that "There is so far no evidence that stocks are accumulating"

- (i) What is the correct position? The latest figures of unsold stocks of Khadi together with their value may be furnished
- (ii) What steps are now proposed to be taken for clearance of the unsold stocks and preventing further accumulation?

Reply:—Reference made by the Working Group on Khadi & Village industries in para 1.86 (page 207) of the report to the accumulated stocks is obviously to the total stocks with the Institutions as on 31-3-1964. The figures collected by the commission relate to stock on hand and this does not necessarily imply that all the stock was either sub-standard or unsaleable. There are usually large stock at the end of March owing to the fact that the peak production season prevails at that time of the year, sales season commencing only from about September each year. Moreover the Sales Bhandars are expected to hold stocks to the extent of 40 per cent of the estimated sales for which Working Capital is also provided. In addition the "Vastraghars" are also required to carry certain stocks. Viewed from this aspect the stocks of Rs. 13 crores as on 31-3-1964 referred to in the Working Group can be considered as normal.

2. The Commission had taken over-all the sub-standard stocks lying with the institutions in the year 1962-63 to the tune of Rs. 1.29 crores and has been able to dispose of stocks to the extent of Rs. 1.25 crores. It is possible, however, that there might be some sub-standard stocks accumulated subsequently with the institutions. It is a normal feature in any production. The institutions themselves arrange for the disposal of such stock by appropriate reduction during the sales season, especially during the Gandhi Jayanti period in each year.

3. As already stated above, it is difficult to give figures of unsold stocks of Khadi as the word 'unsold' will also include not only stocks in the Bhandars but pipe line stocks. Sales are keeping pace with production to a reasonable level.

4. As regards the disposal of sub-standard Khadi to which a reference has been made above a statement indicating the position as on 1-11-1965 is enclosed from which it will be seen that stocks of sub-standard Khadi of the value of Rs. 3,85,982 only remain to be disposed of.

# THE POSITION REGARDING PURCHASE AND RESALE OF KHADI AS UP TO DATE

*Subsidiary of Khadi purchased by the Commission*

Ser. al No	Name of the State	Gross Value	Normal reduction due to scaling down margin etc.	Net value Col. No 4	Value of Khadi disposed by the Commission	Reduction allowed by the Commission 0%	Special reduction on Commission 7% 10% 13%	Total reduction by the Commission Col. 7+8
1	2	3	4	5	6	7	8	9
1	Andhra	3482252 14	1265693 83	2216558 31	1996308 91	360489 66		360489 66
2	Assam	34136 80	12980 91	21155 89	21155 89	4231 18 10%	2115 49	6346 40
3	Bihar	4989785 55	1286146 45	3303639 10	3303639 10	100727 78		100727 78
4	Gujarat	1009669 98	27 811 10	736818 83	736838 88	147371 76		147371 76
5	Kerala	34880 34	124703 74	264100 60	264100 60	52433 22 10%	18140 77	70573 59
6	Madras	458939 87	157035 37	301903 50	301903 40	60350 70		60350 70
7	Mysore	2760699 50	245909 38	1914790 12	1914790 12	372957 97 10% 7%	62038 24	444556 21
8	Madhya Pradesh	447586 57	145940 78	300645 79	279718 28	92849 11		92849 11
9	Maharashtra	1066942 01	3512 0 67	714741 34	706445 45	141259 05		141259 05
10	Orissa	232553 98	95993 84	136560 14	N.I.			
11	Punjab	309446 54	126677 89	182768 63	182768 63	4441 04		4441 04
12	Rajasthan	2624037 03	760648 97	1863318 06	1863318 06	35594 06		35594 06





Serial No	Name of the State	Value of sale proceeds Col No 6 (-) 9	Packing charges	Value of sale proceeds realisable Col No 10 + 11	Actual sale proceeds real and	Balance of sale proceeds realisable	Stock in hand of the Comm as on Col No. 5 (-) 6
10	11	12	13	14	15	16	17
1	Andhra	1635619 25	6104 11	1641723 36	365518 83	12-6204 53	220249 40
2	Assam	14809 12	Nil	14809 12	14809 12	Nil	Nil
3	Bihar	2642911 32	Nil	2642911 32	2642911 32	Nil	Nil
4	Gujarat	589487 12	Nil	589487 12	589487 12	Nil	Nil
5	Kerala	193592 61	Nil	193592 61	193592 61	92-30 00	Nil
6	Madras	241512 80	455 34	242008 14			
7	Mysore	1469793 31	1012 96	1470806 27	1470806 27	892256 68	
8	Madhya Pradesh	186019 77	2007 00	188926 77	188926 77	76292 89	20876 91
9	Maharashtra	563156 41	Nil	563156 41	563156 41	196351 81	8295 83*
10	Orissa						136560'14*
11	Punjab	178326 71	Nil	178326 71	178326 71	31067 92	Nil
12	Rajasthan	1507793 10	1613 50	1509406 60	1491909 22	17197 38	Nil

reduction on all work  
25% at a  
stretch

Question No 23(iii) —What action has been taken on the recommendation of the Public Accounts Committee contained in Para 10 of their 19th Report (Third Lok Sabha)

Reply —Commission had already furnished its reply as to the action taken on the recommendation of the P.A.C

A draft reply to the P.A.C has ben prepared. The reply was sent to Ministry of Finance before getting it veted by Audit. Ministry of Finance has called for further information. The same are being collected. It is hoped that the reply will be sent to P.A.C. soon.

Question No 23(iv) —3 copies of detailed certification rules published by the Commission may be furnished.

Reply —Three copies of certification rules are enclosed (Not printed)

Question No 23(v) —When the Certification Committee exists, how could sub standard Khadi in such large quantities be produced? Were they certified by the Committee?

Reply —One of the functions of the Certification Committee is, no doubt to certify genuine Khadi. It does not however, necessarily imply that certification of genuineness of Khadi will eliminate the production of sub-standard Khadi. When yarn is produced by newly recruited spinners it is inevitable that a part of the yarn so spun is of sub-standard quality and therefore the cloth woven therefrom becomes sub-standard cloth. Incidentally sub-standard cloth is a phenomenon not confined to Khadi alone.

*A Statement showing the assistance given by the Commission year-wise from 1957-58 for setting up the number of such G S Depots and their state-wise distribution*

Serial No	State	1957-58—1958-59			1959-60			1960-61			1961-62		
		G S Depots aided/opened	Grant paid	G S Depots aided/opened	Grant paid	G S Depots aided/opened	Grant paid	G S Depots aided/opened	Grant paid	G S Depots aided/opened	Grant paid	G S Depots aided/opened	Grant paid
1	U P	59	43	93,025	7	6	12,005	2	1	1,250	6	1	9,500
2	Rajasthan	49	39	80,020	.	.	.	21	15	29,865	21	16	35,915
3	Punjab	15	15	26,925	18	4	32,515	.	.	.	8	8	11,915
4	Maharashtra	25	14	41,875	25	5	22,030	2	2	3,730	3	2	8,898
5	Mysore	15	13	24,365	60	6	77,135	1	1	1,955	4	.	7,775
6	A. P.	.	4	15,435	.	.	.	8	2	15,460	.	.	.
7	Gujarat	33	29	55,555	18	16	47,960	41	12	79,950	9	7	11,730
8	Orissa	20	.	33,400	.	..	.	.	.	.	6	.	10,050
9	Assam	11	..	18,530	.	.	.	.	.	.	.	.	..
10	Tripura	.	..	.	1	.	1,955	.	.	.	1	.	1,955
11	Bihar	40	27	74,420	..	..	.	2	2	2,590	4	2	4,955
12	W B	19	3	31,265	..	.	.	5	5	8,975	5	3	10,000
13	Kerala	67	21	98,005	2	1	3,250	..	.	.	.	.	.
14	Madras	48	16	84,000	..	..	.	.	.	.	.	.	.
15	M P	19	8	31,670	2	2	3,910	3	1	5,485	34	10	17,000
		431	232	7,10,490	143	40	2,00,760	87	41	1,51,035	101	49	1,29,733

Question No 24 (iii) —The Estimates Committee (1961-62) in Para 52 of their 167th Report (2nd Lok Sabha) had recommended a review of the present scale of assistance (both recurring and non-recurring) to Sales Bhandars. Government had accepted the recommendation in February 1963 (page 8 of 57th Report of Estimates Committee (1963-64))

It is however noted from Para 1173 page 196 of the Report of the Working Group on Khadi and Village Industries that "The Commission has not yet taken a final decision on this recommendation"

- (a) What is the correct position? Why were the Estimates Committee informed that the recommendation had been accepted when no final decision in the matter has yet been taken?

Reply —The recommendation of the Estimates Committee was examined by the Permanent Patterns Committee of the Khadi and Village Industries Commission. So far as the payment of non-recurring grant is concerned the pattern has been revised as follows as compared to the old pattern —

OLD PATTERN			REVISED PATTERN'		
Category	Annual retail Khadi sales expected or actuals	Furniture, fixtures, etc	Category	Annual retail Khadi sales expected or actuals	Furniture and fixtures
1	2	3	4	5	6
I	Rs 3 00 000 and above	75% of the cost but not exceeding Rs 20 000	I	Rs 5 000 to Rs 20 000	75% of the cost subject to a maximum of Rs 1,500 & the balance as loan
II	Rs 1 50 000 to Rs 3 00,000	75% of the cost but not exceeding Rs 12 500	II	Over Rs 20 000 to Rs 40,000	75% of the cost subject to a maximum of Rs 3,000 & the balance as loan
III	Rs 75 000 to Rs 1,50 000	75% of the cost but not exceeding Rs 7 500	III	Above Rs 40,000	50% of the cost subject to a maximum of Rs 10,000 and the balance as loan

1	2	3	4	5	6
IV.	Rs. 35,000 to Rs. 75,000	75% of the cost. but not exceeding Rs. 5,000			
V.	Rs. 5,000 to Rs. 35,000/	75% of the cost but not exceeding Rs. 2,000/			

As regards the payment of recurring grants, the Commission has submitted a proposal to the Government to replace the production and sales subsidy by a new pattern of financial assistance—'development and capital formation grant'—and proposes to eliminate the payment of recurring grant to such Bhandars which will become eligible for the proposed assistance. The Commission's proposal is still under consideration in consultation with the Finance Ministry as well as the Khadi and Village Industries Commission.

*Question No. 24(iii):—*(b) What are the reasons for this abnormal delay in taking a final decision in the matter?

*Reply:—*Government have been pursuing the matter with the Khadi and Village Industries Commission since long to review the old cases on the basis of the recommendations of the Estimates Committee. It had made payments to 20 Bhandars maintaining the category based on anticipated sales. It was found that 14 out of the 20 Bhandars had achieved sales under high category compared to the category under which the payments had been made. If these cases were re-opened, the amount to be paid would have been more than that to be recovered from the concerned institutions, which was also difficult to do. Steps will be taken to finalise the case within the minimum possible delay.

#### *Sales Emporia & Bhandars*

*Question No. 24(iv):—*Do the Commission run Sales Emporia at various places?

Reply —Yes The Commission is running Sales Emporia at the following places —

- 1 New Delhi
- 2 Calcutta
- 3 Madras
- 4 Bangalore
- 5 Goa
- 6 *Apni Dukan in the premises Commission's office at Bombay*
- 7 Bhopal.

Question No 24(v)—A Statement showing the retail sales at various Emporia from 1957-58 onwards of Khadi and Village Industries Products (Separately) and the expenditure incurred each year in running these Emporia may be furnished.

Reply —A Statement is enclosed





I	2	3	4	5	6	7
	Rs		Rs	Rs	Rs	VI HC
1958-59	683387 64	102787 84	786175.48	140037 85	(-)-23429 25	34783 97 68003 87
1959-60	817866 19	130281 89	948148 08	168176 95	(-)-69669 22	
1960-61	1005543 07	160732 28	1166275 35	134186 71	(-)-16323 81	
1961-62	1251985 66	196770 20	1448755 85	188073 86	(+)-9254 21	85918 79 110851 41
1962-63	1546439 20	228902 75	1775341 95	213831 86	(+)-14595 60	80068 43 148834 32
1963-64	1777813 84	279415 45	2057229 29	244456 47	(+)-49932 33	105273 02 174142 43
1964-65	1895248 67	325300 98	1720549 65	269195 02	(+)-12720 26	
Khadli Gramodyog Bhavan Calcutta						
1957-58	170375 07		160375 07	58781 10	(-)-14897 52	
1958-59	959207 00		959207 00	234114 05	(-)-84395 82	
1959-60	1021735 00		1021735 00	315339 95	(-)-52082 76	
1960-61	1070264 96	181260 41	1251525 37	173951 62	(-)-58036 07	53791 75 127468 66
1961-62	1355010 91	197289 29	1552300 20	253760 23	(-)-65752 86	61822 18 135467 11

1962-63	1934601.41	204520.19	2139121.60	292232.81	(- )38065.22	V.I. H.C.	61270.21 143249.9
1963-64	1701129.14	234119.32	1935248.46	307187.68	(+ )17440.17	V.I. H.C.	70445.55 163673.77
1964-65	1760205.13	270371.69	2030576.82	369644.77	(+ )102649.40		
<b>Khadi Gramodyog Bhavan, Bangalore.</b>							
1957-58	284921.02	75687.22	360608.24	66271.96	(- )20952.23	V.I. H.C.	13379.67 62307.55
1958-59				133693.57	(+ )15300.05	V.I. H.C.	22192.17 55698.61
1959-60	782462.79	77890.78	860353.57	185026.20	(- )49998.27	V.I. H.C.	25217.31 57354.83
1960-61	882475.67	82572.14	965047.81	186393.49	(+ )297.56	V.I. H.C.	44388.03 65839.37
1961-62	881363.50	110227.40	991590.90	211603.67	(- )40606.54	V.I. H.C.	137019.71 61567.3
1962-63	870968.16	198587.24	1069555.40				

I	2	3	4	5	6	7
	<u>R₃</u>		<u>R₃</u>	<u>R₃</u>	<u>R₃</u>	
1963 64	695309 21	221116 07	916425 28	166856 11	(+)-32712 07	VI HC 140557 80 80558 27
1964 65	596173 88	340283 00	936456 88	140886 8	(-)-50206 61	
Khadi Gramodyog Bhavan Margao G a						
1957 58 to						
1961 62						
1962 63	294916 55	65591 99	360508 54	93744 81	(-)-59669 31	VI HC 15506 87 50085 12
1963 64	270397 79	74558 77	344956 56	90456 90	(-)-61675 62	VI HC 15593 22 58965 55
1964-65	209674 26	70547 75	280222 01	92265 08	(-)-29413 88	VI HC 28643 52 41904 23

Bhopal Khadi Gram  
odyog Bhavan Bho  
pal

1957 58 to  
1963-64

1964-65	196123.25	41270.21	237393.46	55781.96	(+ )29470.63	V.I. H.C.	8893.65 32376.53
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1964-65

196123.25

41270.21

237393.46

55781.96

(+)29470.63

V.I.  
H.C.8893.65  
32376.53

Apni Dukan, Bom-  
bay 56.

1957-58 to

1961-62

1962-63

1963-64

81668.42

84751.08

14419.77

15533.65

96088.19

100284.73

6774.82

7632.37

(+)1019.14

(+)7614.00

12073.33

14710.35

15567.90

34.25

V.I.

V.I.

Less

H.C.

H.C.

2346.44

857.55

15567.90

34.25

(+)795.19

9866.95

100704.84

12246.65

88458.19

1964-65

V. I. : Village Industries.

H.C. : Handicrafts.

Question No 24(vi) —A Statement showing the details of supplies made to the Government against contracts from 1957-58 onwards may be furnished Are these supplies made through the Sales Emporia?

Reply—The following are the details of supplies made to the Government against accepted tenders

Year	Rs in lakhs
1957-58	110 63
1958-59	82 49
1959-60	106 33
1960-61	111 77
1961-62	117 21
1962-63	155 54
1963-64	151 73
1964-65	100 15

The supplies to the Government against accepted tenders are normally made through the Directorate of Central Supplies of the Commission and not through Emporia Occasionally, the Emporia make supplies against tenders

Question No 24 (vii) —A statement indicating the profits made or losses suffered by these Emporia during the years 1957-58 to 1964-65 may be furnished

Reply—The profits made or losses suffered by these Emporia are shown in Cols 7 and 8 of the statement in reply to Question 24(v)

## APPENDIX XXV

(See Para 5,82, 5.83)

### Exhibitions

*Question No. 25 (i).*—In para 68 of their 7th Report (Third Lok Sabha) the Public Accounts Committee had made certain observations and recommendations relating to exhibitions. A note stating action taken thereon has been printed at Page 75 of 26th Report (Third Lok Sabha Vol. II of the Public Accounts Committee).

(i) A statement showing the expenditure incurred on participation in Exhibitions in India during the First Plan and from the year 1956-57 onwards and the number of such Exhibitions held has been included as Table 17, Page 198 of the report of the Working Group.

In how many cases the complete accounts relating to these Exhibitions are yet to be rendered and for which period?

*Reply.*—Out of the 1627 Exhibitions held during the period of First Plan and from the year from 1956-57 to 1963-64, accounts relating to 435 Exhibitions as detailed below, are yet awaited. The concerned State Boards and the institutions have been requested to expedite.

Year	No. of Exhibitions
First Five Year Plan . . . . .	21(1955-56)
1956-57 . . . . .	12
1957-58 . . . . .	16
1958-59 . . . . .	8
1959-60 . . . . .	15
1960-61 . . . . .	37
1961-62 . . . . .	197
1962-63 . . . . .	14
1963-64 . . . . .	115
	435

Question No 25(ii) —The Working Group on Khadi and Village Industries in para 1174 of their report (P 193) has suggested the formulation of a proper manual of procedure for participation in Exhibitions.

Has any action been taken on this recommendation?

Reply—A manual of procedure for the conduct of exhibitions financially assisted by the Commission is under preparation.

Sd/- S. C. SEV GUPTA,

Joint Secretary to the Government of India.

New Delhi

dated        -1 1956.

## APPENDIX XXVA

(See Para 1.34)

Were the rates and wages of spinners and weavers revised at any time? If so, when and what were the revisions made?

Reply:

### Spinning Wages:

On the establishment of the Khadi and Village Industries Board and subsequently the Khadi and V.I. Commission the rates of wages then prevalent were continued. The rise in spinning wages was first effected in February, 1965. The rise was 30 per cent in respect of spinning on Traditional Charkha and 15 per cent in the case of spinning on Ambar Charkha, over then existing rates (*vide* enclosed statement).

Due to rise in the cost of living, the rates of spinning wages were again reviewed in September, 1965 and a further increase in the wages was effected by 70 per cent, over pre-February, 1965 rates or 54 per cent over after February, 1965 rates in regard to spinning on Traditional charkha only. The enhanced rates became operative from 2-10-1965.

A comparative statement showing the increase in wages for spinning on Traditional Charkha is enclosed.

### Weaving Wages:

(2) The case of weaving wages prescribed for weavers is a little peculiar. It varies from place to place depending upon the availability of weavers in adequate number and from season to season and several other circumstances.

As the yarn spun by the spinners has to be converted into cloth only through hand-loom weavers, the Institutions had to accept the wages demanded by the weavers from time to time taking into consideration the position mentioned in the above para. Thus, there was no question of fixing any minimum wages for the weavers. However, they generally earned between Rs. 1.50 to Rs. 2.50 per day. According to the accumulation of yarn and the availability of weavers, the weaving wages are fixed by negotiation by respective Institutions and on the basis of such rates, the cost charts of Khadi are made out which require to be approved by the Certification Committee.



On the introduction of the Weaving Subsidy Scheme with effect from 1-4-1964, as subsidy was to be paid, region wise weaving wages of standard plain weave of Khadi were fixed, which ranged between 6 to 8 P (and 10 P in the case of super-fine counts) per 100 dents per metre. The wages thus determined are reimbursed by the Commission under the Weaving Subsidy Scheme. In view of the rising cost of living and taking into consideration the demands of the weavers for a further rise in the wages particularly in view of the rise in spinning wages recently made, proposals have been submitted to the Government for allowing the Commission to raise the standard wages for plain weaving upto a ceiling of 10 P per 100 dents per metre, wherever considered and to the extent necessary.

*Statement showing the rates of spinning wages*

Counts		Spinning wages for 1 Kg of yarn prevalent prior to formation of A.I.K. & V.L. Board			Spg. wages for 1 Kg. 1 Kg. Feb. 1965 Sept., 1965	
Old	Metric					
1	2	3			4	5
		Rs			Rs	Rs
6	10	1.41			1.87	2.88
7	12	1.82			2.37	3.64
8	13-4	2.15			2.80	4.30
9	15	2.52			3.28	5.04
10	16-75	2.90			3.77	5.80
11	18-4	3.23			4.20	6.46
12	20	3.56			4.63	7.12
14	24	4.30			5.59	8.60
16	26-8	5.04			6.55	10.08
18	30	5.64			7.33	11.28
20	33-5	6.45			8.39	12.90
22	37	7.20			9.36	14.40
24	40	7.92			10.30	15.84
26	43-5	8.60			11.18	17.20
28	47	9.68			12.58	19.36
30	50-25	10.75			13.98	21.50
32	53-6	11.83			15.38	23.66
36	60-3	13.44			17.47	26.88

1	2						3	4	5
							Rs.	Rs.	Rs.
							16.13	20.97	32.26
40	67	.	.	.	.	.	18.82	24.47	37.64
45	75—4	.	.	.	.	.	21.50	27.95	43.00
50	84	.	.	.	.	.	24.19	31.45	48.38
55	92	.	.	.	.	.	26.88	34.94	53.76
60	100—5	.	.	.	.	.	30.10	39.13	60.20
65	108	.	.	.	.	.	33.33	43.33	66.66
70	116	.	.	.	.	.	36.55	47.51	73.10
75	125	.	.	.	.	.	39.78	51.71	79.56
80	133—3	.	.	.	.	.	43.00	55.90	86.00
85	141—7	.	.	.	.	.	46.24	60.11	92.48
90	150	.	.	.	.	.	50.00	65.00	100.00
95	158—3	.	.	.	.	.	53.76	69.89	107.52
100	163—7	.	.	.	.	.			

## APPENDIX LXVI

(See Paras 127 and 548)

Total value of production of Khadi & V.L. yearwise and item-wise from the inception of the Board/Commission to-date as against the financial assistance given yearwise and item wise. The statement should indicate also yearwise the capital advanced for production and the turnover and the capital advanced for sales and the turnover

### Reply

The total values of production of Khadi & V.L. yearwise and industry wise from 1933-57 to 1964-65 is given in the enclosed statement No 1. The financial assistance i.e., net disbursement yearwise and industry wise is given in the enclosed statement No 2. [The details of sales and also of the turnover (i.e. both production and sales) are given in the statements No 3 and 4 respectively]

2 The financial assistance granted by the Commission as well as repayments are not recorded in the Commission's books separately for production and sale. This will however be done from the next year. The turnover (i.e. production and sales) per rupee of net disbursement is however given in Statement No 5.

3 As regards the period 1953-54 to 1955-56 details of production and/or sales were not maintained. Similarly the details of refund of unspent grants and repayment of loans are not available. Hence statement No. 6 containing only the disbursements of loans and grants yearwise and industrywise for the above period is enclosed.

4 It may be added that the total of figures in statement No. 2 will not agree with the corresponding figures on page 35 of the Annual Report 1964-65 since the expenditure on schemes such as Gram Sakshar Intensive Development Programmes, Khadi Gramodyog Depts etc. are not included in statement No 2 relating to industries although the production and sales in these cases have been included in the figures of production and sales shown against each industry.

(See paras 1.37 and 5.48)

*Value of production in Khadi and Village Industries*

(Rs. in crores).

Industry	1953- 54	1954- 55	1955- 56	1956- 57	1957- 58	1958- 59	1959- 60	1960- 61	1961- 62	1962- 63	1963- 64	1964- 65
1. Khadi	2.19	3.58	5.54	8.22	11.48	13.76	14.14	14.23	16.91	21.22	22.34	22.73
2. P.C.P.	0.54	0.60	0.76	1.92	1.75	1.69	2.08	3.56	4.42	4.12	2.97	3.67
2. Village Oil	N.A.	N.A.	0.42	0.94	2.69	7.90	12.29	16.69	20.70	19.81	17.91	20.07
4. Village Leather	*	*	0.01	0.04	0.10	0.14	0.27	0.35	0.91	1.44	2.26	2.37
5. Cottage Match	..	*	*	0.01	0.01	0.01	0.02	0.02	0.03	0.05	0.07	0.08
6. Gur & Khandsari	..	1.90	4.88	5.05	5.71	11.89	7.84	7.01	7.43	8.37	9.52	11.20

\* Less than Rs. 50,000/-. P.C.P.—Processing of Cereals and Pulses.

Industry	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
7, Palmgur	4 36	4 63	4 50	3 82	3 4	4 21	4 23	2 72	3 71	7 72	6 92	
8 Non-edible Oils & Soap	0 01	0 03	0 07	0 15	0 20	0 35	0 35	0 45	0 48	0 58	0 73	
9 Handmade Paper	0 05	0 12	0 18	0 16	0 21	0 23	0 24	0 24	0 31	0 32	0 36	
10 Reckceping	*	0 01	0 03	0 07	0 12	0 13	0 20	0 26	0 28	0 36	0 49	
11 Village Pottery	0 01	0 01	0 01	0 03	0 12	0 17	0 42	0 49	0 80	0 98	1 13	<sup>12</sup> 0 98
12 Fibre	*	*	*	0 01	0 04	0 02	0 07	0 14	0 55	0 39	0 75	
13 Carpentry & Black- smithy						0 01	0 03	0 03	0 03	0 05	0 13	
14 Lime manu- facture									0 03	0 05	0 111	
15 Methare gns									*	0 05	0 05	
	2 78	10 57	16 47	20 95	25 98	40 01	41 76	47 39	54 68	61 20	65 57	70 79

\* Less than Rs 50 000/-

## Net disbursements in Khadi and Village Industries

(Net grants and loans outstanding at the end of the year)

(Rs. lakhs)

(Grants disbursed minus refunds and loans outstanding at the end of the year)

Industry	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
Khadi	1054.11	1626.85	2329.37	2789.40	3173.61	3525.80	4124.50	4363.50	4623.45
P. C. P.	30.73	47.41	94.03	152.52	207.43	274.82	246.84	298.71	248.61
Village Oil	67.93	148.62	216.52	270.98	357.32	427.16	397.10	398.19	407.49
Village Leather	35.25	40.30	77.50	92.01	137.66	143.47	137.30	154.43	135.17
Cottage Match	30.83	30.49	20.86	15.50	11.74	13.02	17.25	18.43	18.81
Gur & Khandasari	3.53	27.47	39.18	61.64	92.65	105.24	105.38	128.87	106.26
Palm Gur	34.37	39.29	39.62	55.13	47.93	92.39	122.46	184.08	209.73
N. E. Oils & Soap	63.29	93.86	100.84	105.91	118.07	157.04	169.41	160.14	153.77
H. M. Paper	15.47	25.42	41.50	49.38	68.94	83.62	78.99	78.07	79.66
Bee-keeping	10.22	11.64	14.22	14.69	15.02	21.00	21.78	28.15	24.35
V. Pottery	6.97	11.92	21.45	49.16	72.13	95.10	83.49	99.10	105.32
Fibre	3.92	5.88	7.95	8.61	13.39	16.48	26.31	36.91	23.61
Carpentry & Black-smithy	..	2.53	2.56	4.49	5.87	11.53	14.90	12.91	11.82
Lime	..	..	..	..	..	0.91	2.69	8.27	5.82

P.C.P.—Processing of Cereals and Pulses.  
 N.E. Oil & Soap—Non-edible Oils & Soap.  
 H.M. Paper—Handmade Paper  
 V. Pottery—Village Pottery

Statement No. 3  
*Values of sales in Khadi & Village Industries*  
 (Rs. in crores)

Sl. No.	Industry	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
1.	Khadi	1.30	3.38	4.38	6.23	8.30	8.61	10.60	14.07	18.78	20.37	22.58	24.59
2.	P.C.P.	0.59	0.66	0.84	2.11	1.93	1.84	1.46	2.42	2.73	3.18	2.15	1.28
3.	Village Oil	N.A.	N.A.	N.A.	N.A.	3.43	5.54	8.70	12.91	14.95	15.43	13.39	16.96
4.	Village Leather	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.23	0.28	1.31	2.00	2.28	2.60
5.	Cottage Match	..	..	..	0.01	0.01	0.01	0.02	0.03	0.03	0.03	0.07	0.07
6.	Gum & Khandsari	..	N.A.	N.A.	N.A.	N.A.	N.A.	7.84	7.01	7.43	8.37	9.52	10.60
7.	Palampur	..	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.63	2.59	4.15	8.64	8.03
8.	Non-edible Oils & Soap	..	0.01	0.01	0.06	0.12	0.19	0.33	0.33	0.42	0.47	0.48	0.72
9.	Handmade Paper	..	N.A.	N.A.	0.06	0.15	0.21	0.22	0.21	0.21	0.26	0.29	0.33
10.	Bee-keeping	..	..	0.01	0.03	0.07	0.12	0.14	0.20	0.23	0.28	0.36	0.50
11.	Village Pottery	..	..	N.A.	N.A.	0.02	0.09	0.15	0.28	0.42	0.69	0.95	1.15
12.	Fibre	..	N.A.	N.A.	N.A.	N.A.	N.A.	0.01	0.06	0.12	0.26	0.24	0.69
13.	Carpentry & Blacksmithy	..	..	..	..	..	..	..	0.01	0.01	0.03	0.03	0.11
14.	Lime Manufacture	..	..	..	..	..	..	..	0.01	0.01	0.03	N.A.	0.12
TOTAL		1.89	4.05	5.24	8.50	13.03	16.61	29.68	42.43	49.65	55.58	60.58	63.17

\* Less than Rs. 10,000/-.  
 P.C.P.—Processing of Cereals & Pulses.

**Statement No. 4**  
**Khadi and Village Industries Production & Sales**

(Rs. in crores)

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Sl. No.	Industry	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
1.	Khadi	3.49	6.96	9.91	14.47	19.78	22.37	24.74	28.30	35.69	41.59	44.92	47.13
2.	Processing of Cereals & Pulses	1.13	1.26	1.60	4.03	3.68	3.52	3.54	5.99	7.15	7.30	5.12	5.55
3.	Village Leather	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.50	0.64	2.22	3.44	4.55	4.97
4.	Village Oil	N.A.	N.A.	N.A.	N.A.	5.11	13.44	20.99	29.60	35.65	35.24	31.30	37.03
5.	Cottage Match	N.A.	N.A.	N.A.	N.A.	0.02	0.01	0.04	0.03	0.05	0.10	0.13	0.15
6.	Gur & Khandsari	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	15.68	14.02	14.86	16.74	19.03	21.80
7.	Palm Gur	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	8.86	5.71	7.86	16.36	14.97
8.	Non-edible Oils & Soap	N.A.	N.A.	N.A.	N.A.	0.12	0.27	0.39	0.66	0.83	0.95	1.05	1.45
9.	Handmade Paper	N.A.	N.A.	N.A.	N.A.	0.21	0.31	0.42	0.46	0.45	0.57	0.61	0.69
10.	Bee-keeping	N.A.	N.A.	N.A.	N.A.	0.06	0.13	0.24	0.27	0.39	0.51	0.56	0.99
11.	Village Pottery	N.A.	N.A.	N.A.	N.A.	0.05	0.20	0.33	0.70	0.91	1.49	1.93	2.28
12.	Fibre	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.03	0.13	0.26	0.81	0.63	1.44
13.	Carpentry & Blacksmithy	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.01	0.03	0.03	0.06	0.09	0.24
14.	Lime	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.23
15.	Methane Gas	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

\*Less than Rs. 50,000/-  
N.A. Not available.



*Statement No 5*  
*Turnover per rupee of net disbursement (Production and Sales per Rupee)*

Sl No	Industry	1956 57	1957 58	1958 59	1959 60	1960 61	1961 62	1962 63	1963 64	1964 65
1	Khadli	1 37	1 22	0 96	0 89	0 89	1 01	1 01	1 03	1 02
2	Processing of Cereals and Pulses	13 00	7 83	3 74	2 31	2 89	2 60	2 96	1 71	2 23
3	Village Oil	NA	3 43	6 19	7 75	8 29	8 35	8 88	7 86	9 09
4	Village Leather	NA	NA	NA	0 54	0 46	1 55	2 51	2 95	3 68
5	Cottage Match	0 10	0 07	0 05	0 25	0 25	0 38	0 59	0 72	0 79
6	Gur & Khandsari	NA	NA	NA	25 29	15 08	14 15	15 94	14 87	20 57
7	Palm Gur	NA	NA	NA	NA	18 46	6 21	6 44	8 89	7 13
8	Non edible Oils & Soap	0 19	0 29	0 39	0 62	0 52	0 53	0 56	0 66	0 94
9	Hand made Paper	1 40	1 24	1 00	0 94	0 65	0 54	0 72	0 78	0 86
10	Bee-keeping	0 60	1 08	1 71	1 80	2 60	2 43	2 55	2 54	4 13
11	Village Pottery	NA	0 42	0 95	0 67	0 97	0 96	1 79	1 95	2 17
12	Libre	NA	NA	NA	0 33	1 00	1 63	3 12	1 70	6 00
13	Carpentry & Blacksmithy	NA	NA	NA	0 25	0 50	0 25	0 40	0 69	2 00
14	Lime						NA	2 33	NA	3 83

A, B — Separate calculations for disbursement on production and disbursement on sales will be given from the next year  
 NA — Not available

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Sl. No.	Industry	1953-54 1954-55 1955-56			
		1953-54	1954-55	1955-56	
1. Khadi			1.87	3.41	
2. Processing of Cereals & pulses			0.04	0.15	
3. Village Oil		0.95	0.08	0.20	
4. Village Leather		0.02	0.06	0.23	
5. Cottage Match		0.03	0.03	0.17	
6. Gur & Khandsari		*	*	0.01	
7. Palm Gur		..	0.01	0.13	
8. Non-edible Oils & Soap		0.03	0.10	0.33	
9. Hand-made Paper		0.02	0.04	0.06	
10. Bee-keeping		0.01	0.02	0.04	
11. Village Pottery		..	*	0.01	
12. Fibre		..	*	0.01	

\*Less than Rs. 50,000

# APPENDIX XXVII

(See para 1.38)

†Table of Employment and wages

Industry	Employment (000)		Wages (Rs. lakhs)
	Full-time	Part-time	
1 Khadi			
2 Processing of Cereals and Pulses	235.4	1679.2	1362.13
3 Village Oil	7.6	39.1	18.86
4 Village Leather	23.7	11.4	215.46
5 Cottage Match	21.1	8.9	50.53
6 Gur & Khandasari	0.3	0.6	1.02
7 Palm Gur	74.3*		119.95
8 Non-edible Oils and Soap	..	304.0	471.93
9 Handmade Paper	1.6	10.8	11.84
10 Beekeeping	3.5	0.9	12.13
11 Village Pottery	1.1	65.9	..
12 Fibre	11.2	10.4	61.02
13 Carpentry and Blacksmithy	9.7	12.9	59.08
14 Lime Manufacture	1.0	0.1	3.19
	1.4	1.5	4.61
TOTAL	391.9	2145.7	2391.7

†Para 1.4 of Annual Report 1964-65 of KVIC.

Includes full time and part time for which break-up is not available.

NOTE Casual labour (about 78,000) employed in various village Industries is not included in the above table.

## APPENDIX XXVIII

(See Para 2.11)

### *Report of Administrative Improvements Committee*

What was the sanctioned strength and actual strength of Class IV Staff under the Commission as on 31-3-1964 and on 31-3-1965? How many are proposed to be retrenched?

*Reply:* .

The sanctioned strength and the actual strength of Class IV Staff under the Commission as on 31-3-1964 and on 31-3-1965 are given below:

	Sanctioned strength	Actual strength	Remarks
As on 31-3-1964 . . .	547	A	A—The information is being collected and will be furnished later.
As on 31-3-1965 . . .	602	593	

2. Surplus staff as per the recommendations of the Administrative Improvements Committee is proposed to be absorbed in vacancies that would occur in various offices under the Commission or against technical posts under various industries by giving them suitable training.

## APPENDIX XXIX

(See Para 211)

It has been stated that no provision is made in the budget for posts which were lying vacant

How many posts were created, when they were created and since when they were lying vacant?

Reply—Two statements as shown below are enclosed.

(i) Statement No I shows the list of posts created after the appointment of the Administrative Improvements Committee on 24th March 1964

(ii) Statement No II shows the list of vacancies as on 31st January 1966 so far as the Central Office is concerned. The statement indicates also the date of creation and the dates from which the posts fell vacant

Information as to the vacant posts and the dates from which they were vacant in so far as outstation Offices are concerned has been called for and will be furnished.

### STATEMENT I

*Details of Posts created after the appointment of Administrative Improvement Committee on 24.3.1964*

Sl No	Designation	Scale of pay	No of posts	Date of creation
1	2	3	4	5
1	Development Officer	Rs 325-475	8	(1)* Details given below
2	Reg. Organiser	Rs 325-475	3	(1) 26-8-64 (5-8-65) (3.4.65)
3	Asstt Development Officer	Rs 210-425	20	(2)* details given below
4	Asstt Development Officer (Progress)	Rs 210-425	1	(22-6-64)

1	2	3	4	5
		(Rs.)		
5. Tech. Assistant-J	210—425	5	(1) 27-12-64 7-11-64, 30-6-65, 27-5-64 and 14-4-65.	(2)
6. Asstt. Accountant	210—425	1	(27-7-64)	
7. Research Assistant	210—425	1	do.	
8. Statistical Research Asstt.	210—425	1	(27-5-64)	
9. Asstt. Lecturer	210—425	1	(15-6-1964)	
10. Instructor	210—425	1	(3-12-64)	
11. Supervisor-II	210—425	12	(25-9-64)—11 posts 12-4-64—1 post.	
12. Sr. Inspector	210—425	1	(27-7-64)	
13. Analyst	210—425	1	(21-12-64)	
14. Publicity Assistant	210—425	1	(17-9-65)	
15. Investigator-II	210—425	1	(5-8-65)	
16. Sr. Demonstrator	210—425	4	(1-5-1965)	
17. Asstt. Exh. Officer	210—425	1	(19-4-65)	
18. Steno-I	210—425	4	(3-4-65) 27-7-64, 23-6-64 & 3-4-65.	
19. Auditor-I	210—425	1	(18-4-1964)	
20. Asstt. Liaison Officer	210—425	6	(21-5-64)	
21. Accountant	325—475	1	(7-9-64)	
22. Tech. Supdt.	325—475	2	(1) 27-7-64 & 2 (13-5-65)	
23. Liaison Officer	275—500	4	(21-5-64)	
24. Jr. Sc. Officer	325—475	1	(21-12-64)	
25. Rock Bee Extension Officer	325—475	1	(27-7-64)	
26. Instructor-cum-incharge— Training	325—475	1	(10-6-64)	
27. Marketing Officer	325—475	3	(6-7-64)	
28. Ec. Investigator-I	325—475	2	(21-5-64)	
29. Asstt. Director (for programme & Plan- ning.)	500 (cons.)	2	(21-5-64)	
30. Artist-cum-Multilith Operator	325—475	1	(6-4-65)	
31. Apiarist-I	150—380	1	(12-4-64)	
32. Apiary Supervisor	150—380	1	(7-9-64)	
33. Asstt. Instructor	150—380	1	(3-12-64)	
34. Foreman	150—380	20	(25-9-64)	
35. Draftsman	150—380	1	(25-9-64)	

1	2	3	4	5
		(Rs)		
36	Supervisor—III	150—380	2	(16-10-64)
37	Tech Assistant II	150—380	1	(13-5-65)
38	Turners	150—380	10	(1-5-65)
39	Apiarist II	130—300	2	(12 4-64, 19-4-65)
40	Demonstrator <i>chem</i> Tech Asstt	130—300	1	(10-6-64)
41	Instructor	130—300	1	(5 10-64)
42	Tech Inspector	130—300	1	(27 5-64)
43	Supervisor IV	130—300	4 (1)	(26-5-64) (2) 15 6-65
44	Cashier	130—300	1	2 posts (22 3-65)
45	U D C	130—300	13	(3)* D-tails given below
46	L D C	110—180	5	(4)* D-tails given below
47	Lab Asstt	110—180	1	(21 12 64)
48	Apiary Asstt	110—180	1	(28 4-64)
49	Demonstrator	110—180	1	(28 4 64)
50	Tech Asstt III	110—180	1	(6-7-64)
51	Sr Porter	110—180	1	(5 10-64)
52	Programme Planning Worker	110—180	2	(21 5-64)
53	Asstt. Inspector (ACP)	110—180	1	(26-4 65)
54	Mechanic II	110—180	1	(15 6-64)
55	Stenographer II I	130—300	2	(21 5 64)
56	Programme Planning Asstt.	130—300	4	(21 5-64)
57	Driver	110—139	6	(21-5-64—2 posts 3-4-65—1 post 20-8-64—1 post 7 12-64—1 post 2-6-65—1 post)
58	Daftary	75—95	1	(13-7-64)
59	Peon	70—85	6	(21 5-64—2 posts 5 8-65—1 post 1 5-65—1 post 29-5-64—1 post 12 4-64—1 post)
60	Electrician	110—180	1	5 4 1965
61	Machani	210—425	1	(26-5-64)
62	Gardner	70—85	2	(3 4-65)

1	2	3	4	5
		(Rs.)		
63. Watchman . . .		70—85	2	(21-5-64)
64. Skilled Workers . . .		80—110	12	(1-5-65)
65. Flayers . . .		80—110	14	(1-5-65)
66. Labourers . . .		70—85	1	(1-5-65)
67. Workers . . .		70—85	4	(1-5-65)
			222	

(1)\* Development Officer Rs. 375—475 = 8 Posts =

<u>15-6-64</u>	<u>26-5-64</u>	<u>1-5-65</u>	<u>14-4-65</u>	<u>6-4-65</u>
2 posts	1 post	1 post	3 posts	1 post

(2)\* Asstt. Dev. Officer, Rs. 210—425 = 20 posts =

<u>15-6-64</u>	<u>6-7-64</u>	<u>22-6-64</u>	<u>26-5-64</u>
5 posts	2 posts	2 posts	3 posts
<u>15-5-65</u>	<u>1-5-65</u>	<u>19-4-65</u>	<u>14-4-65</u>
1 post	2 posts	1 post	4 posts

(3)\* U.D.C. Rs. 130—300 = 13 posts =

<u>27-7-64</u>	<u>26-8-64</u>	<u>7-12-64</u>	<u>18-4-64</u>	
4 posts	1 post	1 post	1 post	
<u>21-12-64</u>	<u>12-4-64</u>	<u>25-9-64</u>	<u>21-5-64</u>	<u>5-8-65</u>
1 post	1 post	1 post	2 posts	1 post

(4)\* L.D.C. Rs. 110—180 = 5 posts =

<u>18-4-64</u>	<u>21-12-64</u>	<u>12-4-64</u>	<u>5-8-65</u>	<u>1-5-65</u>
1 post	1 post	1 post	1 post	1 post



## STATEMENT II

List of vacancies as on 31-1-1966 in respect of the Commission's office at Bombay

S No	Designation	Scale	No of posts	Date of creation	Date from which vacant
1	2	3	4	5	6
		Rs			
1	Artist cum Multilith in-charge (HMP)	325—475	1	21-4-64	21-4-64
2	Foreman (GG)	150—380	20	25-5-64	25-5-64 <sup>1</sup>
					18 posts
					15-5-65
					1 post
					1-2-65
					1 post <sup>1</sup>
3	Laboratory Supervisor (GG)	210—425	2	20-1-64	20-1-64
					1 post
					22-10-64
					1 post
4	Supervisor II (GG)	210—425	11	29-5-64	29-5-64
5	Draftsman (GG)	150—380	1	29-5-64	29-5-64
6	Development Officer (V P)	325—475	3	14-4-65	14-4-65
7	Instructor I (V P)	130—300	2	5-10-64	1-8-65
					1 post
					5-10-64
					1 post <sup>1</sup>
8	Sr Potter (V P)	110—180	1	5-10-64	5-10-64
9	Development Officer (Progress) (Lime)	325—475	1	23-1-61	15-6-64
10	Draftsman (Lime)	210—425	1	23-1-61	4-5-65
11	Laboratory Bearer (Lime)	110—180	2	23-1-61	20-11-65
					1 post
					23-1-61
					1 post <sup>1</sup>

1	2	3	4	5	6
		Rs.			
12. Jr. Scientific Officer (Lime)	325—475	1	21-12-64]	21-12-64	
13. Accountant-cum-Head Clerk (Lime)	210—425	1	21-12-64]	21-12-64	
14. L.D.C. (Lime)	110—180	1	21-12-64	21-12-64	
15. Zonal Officer (C.M.)	400/- cons.	1	2-4-57	1-7-60	
16. Supervisor-III (CM)	150—380	20	21-5-58	21-5-58	
17. Supervisor-V (C.M.)	110—180	15	25-2-58	25-2-58	
18. Stenographer-I (C.M.)	210—425	1	16-10-56	1-7-65	
19. Inspector-II (S.D.)	150—380	3	4-10-57	4-10-57	
20. Asstt. Exh. Officer (S.D.)	210—425	1	17-10-58	17-10-58	
21. Exh. Guide (Sr.) (S.D.)	210—425	1	17-10-58	17-10-58	
22. Exh. Guide (Jr.) (S.D.)	150—380	2	17-10-58	17-10-58	
23. Chief Decorator (S.D.)	325—475	1	17-10-58	17-10-58	
24. Asstt. Sales Officer (S.D.)	210—425	1	17-10-58	17-10-58	
25. Stenographer-II (S.D.)	130—300	1	1-11-64	5-7-65	
26. U.D.C. (A/c) (SD)	130—300	1	4-10-57	4-10-57	
27. Development Officer (VOI)	325—475	3	11-1-61	11-1-61	
				2 posts	
				9-2-65	
				1 post	
28. Asstt Development Officer (VOI).	210—425	2	2-4-57	1959	
				1 post.	
				13-12-65	
				1 post.	
29. Supervisor-III (V.O.I.)	150—380	1	20-9-63		
30. Supervisor-IV (VOI)	130—300	12	29-5-59	1959	
				1 post.	
				5-10-63	
				5 posts.	
				8-11-60	
				1 post.	
				N.A.	
				5 posts.	

1	2	3	4	5	6
		Rs			
31	Supervisor-V (VOI)	110-180	14	29-5-59	29-5-59
31A	Stenographer-II (VOI)	130-300	1	created before 57	1-5-65
32	U D C (VOI)	130-300	1	Do	15-3-65
33	L D C (VOI)	110-180	4	Do	15-3-65
					2-4-65
					1-2-64
34	Store Keeper (GG)	130-300	1	created before 1964	8-4-63
					30-5-64
35	Stenographer II (GG)	130-300	1	Do	1-6-65
36	Bio-Chemist (GG) 1	325-475	1	Do	15-12-64
37	Asstt Mechanic (GG) }	150-390	1	Do	16-11-64
38	Head Clerk (Mech)	210-425	1	created before 1957	11-1-65
39	U D C	130-300	1	created before 1960	vacant since 1960
40	U D C.	Do	1	Do	Do
41	Stenographer II	Do	1	Do	Do
42	L D C (Typist)	110-180	1	3-3-64	1-11-65
43	L D C.	110-180	1	NA	3-8-65
			5	NA	19-8-64
					1 post
					5-4-65
					1 post
					7-12-65
					1 post
44	Peon	70-85	1	NA	NA = 2 posts
45	Superintendent (Tech.) (VP)	325-475	1	Created before Feb 64	19-10-62
					23-12-64
46	Ceramist (VP)	270-435	1	Do	22-6-64
47	U D C (VP)	130-300	1	Do	1-11-65

1	2	3	4	5	6
		Rs.			
48. Steno-typist (V.P.)		110—180 +Rs. 20/-	1	created before Feb. 1964	15-9-64
49. Asstt. Development Officer (Progress) (Soap)		210—425	1	10-8-64	10-8-64
50. Eco. Investigator-II (Soap)		210—425	1	created before 28-2-62	27-5-64
51. Asstt. Dev. Officer (Soap)		210—425	3	Do.	18-6-64 1-7-64 23-6-65
52. Steno-typist (Soap)		110—180 +Spl. Pay Rs. 20/-	1	Do.	1-5-5
53. Exh. Attendant (Soap)			1	Do.	13-8-62
54. Demonstrator-II (Soap)		110—180	2	20-3-63	30-11-65 8-12-65
55. Tech. Inspector (Soap)		150—380	1	27-7-64	27-7-64
56. Sr. Instructor (Soap)		130—300	1	5-3-63	5-3-63
57. Foreman (Soap)			1	5-3-63	1-7-65
58. Lecturer (Soap)		325—475	1	5-3-63	19-7-65
59. U.D.C. (Soap)		130—300	1	created before 28-2-64	4-5-65
60. L.D.C. (Soap)		110—180	3	Do.	2-7-65 7-12-64 4-3-65
61. Accountant (I.A.)		325—475	1	created in 1957	6-10-64
62. Auditor-I (I.A.)		210—425	1	Do.	12-10-65
63. U.D.C. (I.A.)		130—300	4	Do.	16-2-65 1-9-65 2-9-65 25-10-64
64. Peon (I.A.)		70—85	1	Do.	20-1-66
66. Auditor-II (I.A.)		130—300	1	N.A.	17-7-64
67. Stenographer (selection grade) (H.O.)		325—475	1	3-4-65	3-4-65
68. Organizer (Wool)		200—400	1	created before 1957	N.A.
69. Daftry (B.K.)		75—95	1	Do.	4-1-65

		2	3	4	5	6
			Rs			
70	Apiculturist I (B K.)		150-380	4	created before 1957	
					3 posts.	
					15.5.58	1965
71	Tech. Asstt (B K.)		210-425	1	1 post	4 posts
72	Apiculturist II (B K.)		120-300	1	13.4.65	13.5.65
73	Inspector (B K.)		110-180	29	12.4.64	19.4.65
74	Supervisor III (B K.)		100-380	2	14.6.60	Vacant since 1960
75	B. B. T. Asstt		375-475	1	8.6.65	8.6.65
76	Polinologist		3-5-475	1	10.5.63	10.5.63
77	Agriculturist		325-475	1	12.4.63	30.6.64
78	Asstt Beekeeper (B K.)		210-475	1	10.5.63	10.5.63
79	Asstt Beekeeper (B K.)		Do	1	10.5.63	10.5.63
80	Asstt Beekeeper (B K.)		Do	2	10.5.63	10.5.63
81	Apiculturist Supervisor (B K.)		150-380	2	10.5.63	2.9.64
82	U. D. C. (B K.)		130-300	2	10.5.63	2.9.64
83	Paraveterinary M. A. (B K.)		70-85	3	10.5.63	1.11.65
84	Apiary Keeper (B K.)		110-180	1	10.5.63	2.9.64
85	Apiary Asstt (B K.)		70-85	8	10.5.63	10.5.63
86	Tech. Asstt (B K.)		210-425	8	10.5.63	10.5.63
87	Sr Beekeeper (B K.)		Rs 80	1	5.11.63	5.11.63
88	W. A. S. (B K.)		+20 F.T.A.	1	5.11.63	5.11.63
89	H. I. P. T. (B K.)		70-85	1	5.11.63	5.11.63
90	Demonstrator or Chem. Tech. Asstt (B K.)		Do	1	5.11.63	5.11.63
91	Instructor (B K.)		130-300	1	10.6.64	10.6.64
92	Asstt. Instructor (B K.)		210-425	1	5.11.63	3.12.64
93	Demonstrator (B K.)		130-300	1	5.11.63	3.12.64
94	Apiary Asstt. (B K.)		110-180	1	28.4.64	28.4.64
			110-180	1	28.4.64	28.4.64
			Leather Industry			
95	Development Officer (Leather)		325-475	1	1.5.65	1.5.65
96	Asstt. Development Officer (L)		210-425	2	1.5.65	1.5.65

1	2	3	4	5	6
		Rs.			
97. Sr. Demonstrator (Leather)		210—425	4	1-5-65	1-5-65
98. Supervisor-III (Marketing) (L)		150—380	1	1-5-65	1-5-65
99. Tanners (Leather)		Do. <sub>3</sub>	10	1-5-65	1-5-65
100. L.D.C. (Typist) (Leather)		110—180	1	1-5-65	1-5-65
101. Skilled Worker (Leather)		80—110	12	1-5-65	1-5-66
102. Flayers (Leather)		80—110	10	1-5-65	1-5-65
103. Labourer		70—85	1	1-5-65	1-5-65
104. Worker		Do. <sub>2</sub>	4	1-5-65	1-5-65
105. Peon		Do.	1	1-5-65	1-5-65
106. Asstt. Development Officer		210—425	1	15-5-65	15-5-65
107. Supervisor-IV		130—300	2	15-5-65	15-5-65
108. U.D.C.		130—300	2	created before 1957	2-11-64
109. L.D.C.		110—180	1	Do.	1-10-65
110. Stenographer-II		130—300	1	Do.	14-11-64
111. Steno-typist		110—1800 + Spl. Pay	1	Do.	3-66
112. Peons		70—85	2	Before 1957	1-5-65
			1	post 1-5-1965	
113. P.A. to Vice-Chairman (H.O.)		210—425	1	3-4-62	N.A.
114. P.A. to Member (H.O.)		100—300	2	created before 1957	Vacant since created.
115. Comptist (H.O.)		110—180 +20/- Spl. pay	1	created in 1958	From 1963
116. Hamals (H.O.)		70—85	2	Do.	Vacant since 1958
117. Jr. Cashier (H.O.)		110—180	2	Before April, 57	N.A.
118. Account Asstt. (Sales)		150—380	1	26-11-60	26-11-60
119. Stenographer-I (Hindi)		210—425	1	22-3-65	22-3-65

1	2	3	4	5	6
		Rs			
120	Stenographer-II	130—300	3	created before 1959	27-1-66
					1 post.
					N.A.
					2 posts
121	Steno-typist	110—180 + Spl pay	4	Do.	1 10-65
					2 posts
					1-7-65
					1 post
					30-6-65
122	U.D.C.	130—300	11	Some before' 57 other during 57 to 1963	1 post 24-10-64 9-4-65 19-12-64 30-11-64 26-10-64 20-10-65 7-9-65 1 5-65 3 2-65 14-6-65 1-12-65
123	L.D.C.	110—180	16	N.A.	10-14-64
					1 post
					23 7-64
					1 post
					16-3-65
					1 post
					6-9-65
					1 post
					Date of vacancy of rest of post not available.
124	L.D.C. (Typist)	110—180	5	Created before' 64	1 10-65
125	Players (Leather)	80—110	4	Created before 1957	(11) July, 1964

## APPENDIX XXX

(See Para 2.20)

A Statement showing the year-wise amounts paid to different State Boards by the Khadi & Village Industries Commission for establishment expenditure. The statement should include the amounts paid by the State Government to State Boards year-wise for the same purpose.

*Reply:*

Two statements showing the year-wise amounts paid to different State Boards for establishment expenditure by the Commission and the State Governments respectively are enclosed.



Statement showing the Establishment grant given by the Commission to the State Boards upto 1964-65

Name of the State Board	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	Total
1 Andhra	26,000 00					63,391 53	1,52,750 37	2,42,141 90
2 Assam	13,000 00			1,46,619 06		43,110 66	26,002 11	97,561 83
3 Orissa	13,000 00	2,163 36	81,284 32	1,06,415 00				2,02,862 68
4 Madras				69,911 54	2,45,088 84	1,35,683 76	2,45,393 38	6,96,077 52
5 Maharashtra	13,000 00		17,205 17			1,434 73	2,56,958 32	2,88,598 22
6 M P	13,000 00				34,238 62	29,528 82	34,185 26	1,10,952 70
7 Mysore	13,000 00			1,913 32				14,913 32
8 Punjab	13,000 00				1,257 19	33,609 11	21,050 91	68,997 21
9 Rajasthan	13,000 00					16,000 00	19,224 97	48,224 97
10 West Bengal		15,000 00		25,030 00	31,924 00	63,250 00	1,62,834 71	2,98,838 71
11 Gujarat						45,136 40	52,869 59	98,005 99
12 J & Kashmir							6,091 21	6,091 21
13 Kerala	13,000 00		1,13,312 01	63,800 00			12,102 25	2,02,215 25
14 U.P.				30,000 00*				30,000 00
15 Bihar	13,000 00		2,46,789 94		55,141 12	88,833 00	1,71,719 04	5,75,483 10
TOTAL	1,43,000 00	2163 36	4,73,591 44	3,12,519 91	3,67,649 77	5,20,058 01	11,61,982 12	29,80,964 61

NOTE :—Rupees 30000/- was refunded by the UP State Board to the Commission subsequently.

*Establishment grant given to State Boards by the State Governments*

Sl. No.	Name of the State	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60
1	2	3	4	5	6	7	8	9
1.	Mysore	..	..	19000.00	41983.37	..	35000.00	539440.00
2.	Andhra	..	..	..	..	..	58656.14	72460.00
3.	Punjab	..	..	..	..	..	19843.00	59800.00
4.	Gujarat	..	..	..	487205.00	..	..	..
5.	Orissa	..	..	..	..	..	500000.00	..
6.	Kerala	..	..	..	..	..	25000.00	..
7.	Madhya Pradesh	70250.00	223990.00	342741.00	750000.00	1241000.00	741000.00	553000.00
8.	Rajasthan	..	..	..	139238.87	114372.73	160077.33	197514.28
9.	West Bengal (Committed)	..	..	..	..	..	..	..
10.	West Bengal (Addl).	..	..	..	102250.00	300000.00	324661.00	351045.00
11.	Bihar	..	..	..	872286.59	794509.92	1177260.95	1227226.88
12.	Maharashtra	737727.31	673148.76	792033.78	..	..	..	..
13.	Assam	..	..	..	..	..	..	..
14.	Madras	..	..	..	..	..	..	..

SL No	Name of the State	1960-61	1961-62	1962-63	1963-64	1964-65	Total
		10	11	12	13	14	15
1	Mysore	700000 00	500000 00 N P 981855 00	NP 762449 00	NP 552284 97		5696000 97
2	Andhra	214000 00	182200 00 P	320450 00 P	361500 00 P	50000 00	1989988 51
3	Punjab	101700 00	214000 00	302000 00	402655 00	491234 00	1442680 00
4	Gujarat		217932 00	349391 00	343204 00	268490 00	2039945 32
5	Orissa	493378 00	662374 52	436591 12	462830 68	478149 00	5000979 56
6	Kerala	521800 00	644200 00	644200 00	644200 00	644200 00	2588697 82
7	Madhya Pradesh	600000 00	115561 80	429539 88	447702 65	450000 00	7596678 68
8	Rajasthan	200293 33	600000 00	678697 62	790000 06	800000 00	1618124 91
9	West Bengal (Com-mittee)	200000 00	226603 23	202098 66	208927 41	198999 07	1226000 00
	(Do) (Addl)		249000 00	250000 00	250000 00	277000 00	655000 00
10	Bihar	430015 00	100000 00	175000 00	180000 00	200000 00	4679992 16
11	Maharashtra	956091 47	803545 00	508336 40	765567 76	1154572 00	11984390 33
12	Assam	1214000 00	756678 34	1281648 69	1282795 53	1432982 11	4265103 27
13	Madras		903562 00	1180000 00	967541 27	Not available	7023000 00

# APPENDIX XXXI

(See Para 226)

## Reply to Question No. 5(b) (v) Appendices

Point 16.—A note explaining why the relation between increase and decrease in staff in the various State Offices and increase or decrease in expenditure on them is not uniform in all the cases. Break-up of expenditure where necessary, may be furnished to illustrate the reasons:

Reply.—A statement showing the break-up of Administrative expenditure in respect of the various State Offices is enclosed.

The reasons for variations in expenditure have been urgently called for from the State Offices and will be furnished on receipt of the same.

Statement showing the administrative expenditure of various state offices during the period from 1961-62 to 1963-64.

	1961-62	1962-63	1963-64
(1)	(2)	(3)	(4)
<i>State office, Assam.</i>			
No. of posts :	9	21	21
Pay of Officers	4,243.24	4,827.17	6,540.00
Pay of Estt.	1,896.78	17,842.07	25,958.22
T.A. of Officers	3,407.90	4,327.15	2,982.62
T.A. of Estt.	1,183.05	1,595.18	1,044.67
Contingencies	1,212.39	11,026.32	15,207.68
TOTAL	11,943.36	39,617.89	51,733.29
<i>State Office, Ahmedabad.</i>			
No. of posts	15	18	29
Pay of Officers	5,716.58	13,398.49	29,039.60

1	2	3	4
Pay of Estt	5,912 96	22,125.83	58,641.91
T A of Officers	3,454 11	4,220 08	11,580 91
T A of Estt	883.15	5,215 99	5,974.58
Contingencies	4,567 05	36,876 02	40,212.31
TOTAL	20,533 85	81,835.41	1,45,449 31

*State Office, Calcutta*

No of posts	41	44	43
Pay of Officers	20,630 07	25,278 14	22,611.92
Pay of Estt	57,268 82	76,718.84	97,620.35
T A of Officers	5,718 65	8,138 82	3,851.81
T.A of Estt	6,866 77	3,093.82	4,098.21
Contingencies	41,529 65	40,439.55	51,618.35
TOTAL	1,32 013 96	1,53,669 17	1,78,800 64

*State Office, Maharashtra*

No of posts	39	42	38
Pay of Officers	12,387 46	10,906 11	13,503.86
Pay of Estt	69,763 85	67,269 12	62,741.15
T.A of Officers	3,524.35	2,428.49	2,120 95
T A. of Estt.	4,130 71	6,786.41	6,171 01
Contingencies	267 00	5,160 89	6,763.69
TOTAL	90,073 37	92,551 02	91,210 67

*State Office, Andhra*

No of posts	93	69	67
Pay of Officers	19,023 10	25,497.17	26,524.59
Pay of Estt	79,865 30	1,14,732 74	1,16,849 38
T A of Officers	8,306 54	8,040 28	13,480 34
T.A of Estt	4,964 19	7,530 23	12,484 01
Contingencies	26,399 81	23,338 18	71,231.09
TOTAL	1,38,558 94	1,79,188 60	2,40,569.4

1	2	3	4
<i>State Office, Jaipur</i>			
No. of posts.	52	59	69
Pay of Officers	12,260.16	16,612.50	10,854.05
Pay of Estt.	53,745.46	81,224.19	1,04,084.33
T.A. of Officers	3,259.45	2,643.11	3,506.33
T.A. of Estt.	8,800.83	8,965.05	16,772.59
Contingencies	26,211.75	36,064.76	38,401.65
TOTAL	1,04,278.15	1,45,509.61	1,72,618.95

*State Office, Lucknow.*

No. of posts.	101	107	90
Pay of Officers.	22,299.45	21,990.28	23,537.84
Pay of Estt.	1,43,272.19	1,81,393.88	1,93,974.31
T.A. of Officers	7,514.43	12,455.23	10,752.90
T.A. of Estt.	29,560.87	31,134.85	35,354.98
Contingencies	50,834.96	59,710.76	52,593.45
TOTAL	2,53,481.91	3,06,665.00	3,16,213.48

*State Office, Patna.*

No. of posts.	36	41	44
Pay of Officers	13,774.88	12,901.01	18,570.04
Pay of Estt.	54,348.71	59,896.87	73,693.32
T.A. of Officers	3,067.10	6,640.29	4,024.32
T.A. of Estt.	4,423.89	4,371.25	7,098.74
Contingencies	35,147.34	23,749.60	31,951.55
TOTAL	1,10,761.92	1,07,559.02	1,35,337.97

*State Office, Srinagar.*

No. of posts.	12	12	12
Pay of Officers	6,000.00	6,000.00	8,280.00
Pay of Estt.	21,334.90	16,354.19	18,058.15
T.A. of Officers	2,868.95	2,915.18	4,811.00
T.A. of Estt.	797.28	19.00	301.85
Contingencies	1,240.71	1,907.57	3,172.09
TOTAL	32,241.84	27,195.94	34,623.09

1	2	3	4
<i>State Office, Punjab</i>			
No of posts	65	69	77
Pay of Officers	14,347 94	20,589 70	15,174 36
Pay of Estt	97,070 82	1,10,582 24	1,10,228 14
T.A of Officers	3,763 32	3,863 45	4,422 53
T.A of Estt	8,285 47	8,961 61	11,898 99
Contingencies	32,777 82	40,105 86	40,627 04
TOTAL	1,56,245 37	1,84,102 86	1,82,31 06
<i>State Office, Kerala</i>			
No of posts	16	23	23
Pay of Officers	5,183 79	5,480 83	17,853 38
Pay of Estt	17,717 01	33 645 17	41,886 86
T A of Officers	4,170 65	3,563 72	4,061 53
T A of Estt	1,925 69	2,227 79	8,979 08
Contingencies	8,682 23	15,281 33	28,721 08
TOTAL	37,679 37	60,198 84	1,01,501 93
<i>State Office, Ujjain</i>			
No of posts	33	38	33
Pay of Officers	8,648 56	11,202 91	8,940 00
Pay of Estt	43,790 41	54 040 91	53,535 03
T.A of Officers	4,325 45	4,859 31	6,431 02
T A of Estt	4 852 27	10,886 30	9,717 12
Contingencies	19,523 47	18 006 60	27,717 15
TOTAL	81,140 16	98,996 03	1,06,340 32
<i>State Office, Bhubaneswar</i>			
No of Posts	6	17	17
Pay of Officers	3,170 00	14,101 79	13,671 50
Pay of Estt	550 00	9,854 98	24,639 34
T A of Officers	736 73	3,089 30	4 956 10
T A of Estt	1,000 00	1,053 09	3,674 04
Contingencies		12,836 66	23,580 10
TOTAL	5,456 73	40,935 82	70,521 08

1	2	3	4
<i>State Office, Madras</i>			
No. of posts . . .	45	45	48
Pay of Officers . . .	7,579·36	11,722·77	16,460·78
Pay of Estt. . . .	60,804·94	69,518·55	77,690·64
T.A. of Officers . . .	2,004·06	3,465·94	5,104·21
T.A. of Estt. . . .	8,419·10	7,393·56	13,278·48
Contingencies . . .	31,675·43	20,961·06	26,951·50
TOTAL . . . . .	1,10,482·89	1,13,061·88	1,39,485·61

*State Office, Bangalore.*

No. of posts . . .	40	46	46
Pay of Officers . . .	9,364·26	14,164·61	21,597·78
Pay of Estt. . . .	75,124·20	91,069·48	94,598·61
T.A. of Officers . . .	3,497·68	6,943·42	3,109·55
T.A. of Estt. . . .	17,958·20	23,536·26	24,915·93
Contingencies . . .	16,808·12	31,250·01	46,401·54
TOTAL . . . . .	1,22,752·46	1,66,963·78	1,90,623·41



## APPENDIX XXXII

(See Para 230)

It was stated in evidence that the element of 'Incidentals' included in T.A. have been cut down by one third

How was this cut imposed? Were the relevant rules, orders etc amended before it was done?

Reply—The travelling allowances of the employees of the Commission are regulated according to the provisions and Regulation No 7 of the Khadi and Village Industries Commission Regulations 1958 framed under Section 27 of the Khadi and Village Industries Commission Act 1956. This Regulation No 7 is reproduced below.

"Employees of the Commission shall be eligible for travelling and daily allowances for journeys on tour or on transfer at such rates and according to such conditions as may be prescribed by the Commission with the prior approval of Government. Until such rates and conditions are prescribed by the Commission, the employees of the Commission shall draw travelling and daily allowances at rates and conditions prescribed by the Government for employees of corresponding grades."

A separate set of rules for travelling allowance for the Commission's employees is under finalisation in consultation with the Government of India. Till then the travelling allowance is being regulated at rates and conditions prescribed by the Government of India. With a view to effecting economy in travelling expenses and bearing in mind the national emergency the Commission decided on 27-9-1965 to reduce the incidental charges while on tour by 1/3rd of what is ordinarily admissible to all categories of staff except class IV employees with effect from the 1st October 1965.

The Commission is proposing to Government that the Regulation may be amended with retrospective effect, if possible.

## APPENDIX XXXIII

(See Para 3.10)

### *Comments from various State Audit Reports concerning the State Khadi and Village Industries Boards*

#### ANDHRA PRADESH

##### *Audit Report, 1963*

*Grants to the Andhra Pradesh Khadi and Village Industries Board.*—The State Government give grants-in-aid to meet the establishment and contingent expenditure of the Board. Out of Rs. 4.84 lakhs given by Government as grant-in-aid from 1955-56 to 1960-61 (including to the former Hyderabad Khadi and Village Industries Board which subsequently merged with the Andhra Pradesh Board), a sum of Rs. 83,483 remained unspent and has not been refunded to Government so far (April, 1963).

The non-surrender of the unspent balance is reported to be due to the audit of the accounts of the Board by professional auditors being in arrears since 1957-58.

##### *Audit Report, 1964*

*Grant to the Andhra Pradesh State Khadi and Village Industries Board for construction of Sugar Plants.*—Government paid a grant of Rs. 1.50 lakhs in March, 1961 to the Andhra Pradesh State Khadi and Village Industries Board for the construction of two 'one-ton sugar plants' at Nuzvid and Repalle. The utilisation certificate has not so far been received (February, 1964).

An audit of the accounts of the Board showed that out of this grant, advances amounting to Rs. 1.47 lakhs were paid by the Board to some institutions and individuals during March, 1961 to July, 1963 in connection with the scheme but detailed accounts thereof are yet awaited by the Board (September, 1963). One of these advances (Rs. 75,000) was paid to an institution in March, 1961 for the fabrication of the plants. Although the plants were supplied by the institution in April, 1962, they could not be erected for want of buildings at Nuzvid and for want of power connection at Repalle.

## ASSAM

## Audit Report 1965

*Assam Khadi and Village Industries Board.*—(a) The Board received the following grants and loans up to the 31st March 1964 —

From whom received	Loans	Grants
	(in lakhs of rupees)	
Khadi and Village Industries Commission	61 13	42 54
Government of Assam	4 09	59 27
<b>TOTAL</b>	<b>65 22</b>	<b>1,01 81</b>

(b) The audit of the accounts of the Board for the year 1963-64 revealed that the loan ledger was not properly maintained in the following respects —

- (i) Annual instalments of principal and interest due for realisation have not been posted in the ledger
- (ii) Interest accrued on loans disbursed prior to the 1st April, 1962 has not been calculated.
- (iii) Postings in respect of disbursement made during 1963-64 have not yet been made in the ledger (October 1964)
- (iv) Reconciliation of the figures posted in the ledger with those of the monthly accounts has not been carried out by the Board.
- (v) Dates of repayment of loans have not been recorded in the register

Accounts classifying the transactions under different heads were also not maintained

(c) *Recovery of loans and utilisation of grants disbursed by the Board*—Loans amounting to Rs 20 23 lakhs and grants totalling Rs 4 90 lakhs were disbursed up to March 1964 by the Board to different institutions and individuals for development of Khadi and Village Industries in the State. Although repayments to the extent of Rs 24.55 lakhs fell due by the 31st March, 1964, only a sum of Rs 8 49 lakhs inclusive of interest, was realised.

The certificates of utilisation in respect of loans and grants amounting to Rs. 15.32 lakhs paid up to March, 1961 were awaited from Co-operative Societies and other Institutions (September, 1964).

(d) *Accounts of the centres under the Board.*—Physical verification of stores conducted up to March, 1964 revealed shortage of the value of Rs. 88,304 in 22 centres.

(e) *Scheme for procurement of Paddy.*—The Board took up a scheme for procurement and selling of paddy to paddy-husking societies in January, 1962. Five procurement centres, each under a Supervisor appointed by the Board, were established with a working capital of Rs. 2,40,000 (Rs. 48,000 for each centre). The working result of one centre (ascertained in August, 1964 from the report on the working of the centre) revealed that against an expenditure of Rs. 37,046 incurred on purchase of paddy, sale proceeds amounted to Rs. 24,399 resulting in a loss of Rs. 12,647. The losses were attributed to (i) shortages of stock (Rs. 4,600), (ii) loss by sale (Rs. 5,802) and (iii) credit sales unrealised (Rs. 2,245).

## BIHAR

### *Audit Report 1964*

(i) *Bihar Khadi and Village Industries Board.*—The Bihar Khadi and Village Industries Board was set up in August, 1956, under an Act passed by the State Legislature.

(ii) *Accounts and Audit.*—The rules for the maintenance of accounts and the forms for the presentation of annual statement of accounts have not been prescribed by the State Government so far (September, 1963), as required under the Act. Pending finalisation of the rules, the proposal of the Board to present the annual accounts in the form of a Receipt and Expenditure Statement followed by a balance sheet was approved by Government in August, 1959.

The annual accounts for the years 1957-58 onwards have not been finalised by the Board so far (December, 1963).

Government stated in January, 1964 that the arrears in accounts were due to inadequate strength of accounts staff and that with the recent strengthening of the staff, the arrears would be overtaken in the near future.

The annual accounts for 1956-57 were audited by professional auditors. A test check of the accounts of the Board up to 1962-63, was conducted by the Accountant General during 1961-63.

(iii) *Utilisation of Grants/Loans received from the Khadi and Village Industries Commission.*—The position of loans/grants received by the Board from the Commission the amounts disbursed the amounts refunded and the balance up to the 31st March, 1963 is given below —

	Loan	Grant
	(in lakhs of rupees)	
Amount received from the Commission	381 17	176 95
Amount disbursed by the Board	170 52	101 63
Amount refunded	*196 90	29 35
Balance	13 75	45 97

The percentage of refund of loan and grant to the total amount received was 52 and 16 respectively. Government stated in January, 1964 that the Khadi Commission were considering ways and means for ensuring that the annual budget of the Board is prepared in a more realistic manner and that funds are sanctioned only in accordance with immediate requirements.

The total amount of loans and grants disbursed by the Board up to 1961-62 and the amounts for which certificates of utilisation have been sent to the Commission up to September 1963 are given below —

	Amount Disbursed up to 1961-62	Amount for which utilisation certificates had been sent up to September, 1963
(In lakhs of rupees)		
Loan	136 36	81 94
Grant	72 56	11 46

It was explained in January, 1964 that the delay in submission of the utilisation certificates was due to delay in completion of the audit of the accounts of the Co-operative Societies and other grantee institutions and that steps have been taken to expedite completion of the audit of these institutions.

\*This amount has been arrived at after deducting from the total refund a sum of Rs 15.51 lakhs being the amount recovered by the Board from the loanees up to the 31st March, 1963 which was repayable to the Commission.

Some of the schemes for which financial assistance was obtained from the Commission which were not implemented at all or only partly implemented are given below:—

Sl. No.	Name of the scheme	Year of receipt of financial assistance	Amount received from the Commission		Remarks
			Loan	Grant	
			(In lakhs of rupees)		
(a)	Fibre Industry.	1959-60 to 1962-63	1.23	1.04	The assistance was obtained for setting up one model centre, 2 Harsan centres etc. The scheme was not Implemented. Amounts of Rs. 0.53 lakh (loan) and Rs. 0.63 lakh (Grant) were refunded to the Commission during 1960-61 to 1962-63.
(b)	Blacksmithy and Carpentry	1961-62 and 1962-63	0.51	0.46	The scheme was not implemented. Amount of Rs. 0.21 lakh (loan) and Rs. 0.12 lakh (grant) were refunded to the Commission in 1962-63.
(c)	Cottage match	1956-57 to 1958-59.	2.14	29	The assistance was obtained for setting up 20 match factories. However, only 5 factories were set up at a cost of Rs. 0.51 lakh. All the five factories were closed down due to the scheme

Sl No	Name of the scheme	Year of receipt of financial assistance	Amount received from the Commission		Remarks
			Loan	Grant	
			(In lakhs of rupees)		
					providing technically unworkable. Equipment and materials valued at Rs 0 23 lakh were returned to the commission. Amounts of Rs 1 62 lakhs (loan) and Rs 1 08 lakhs (grant) were refunded to the Commission

In respect of serial nos (a) and (b) above it was explained by Government in January 1964 that according to the existing provisions of the Act the implementation of these schemes was not within the scope of the Board and that funds were obtained by the Board from the Commission in anticipation of an amendment to the Act which had not materialised till then

(iv) *Audit of grantee/loanee institutions*—Up to June 1962 the Board had given financial assistance to 1523 Co-operative Societies and 75 registered institutions. Audited statements of accounts had however been obtained up to June 1962 only from 224 Co-operative Societies and 2 registered institutions

There was no record to watch the receipt of periodical utilisation certificates required to be furnished every year by the Societies' Institutions under the terms of grant of loan/subsidy

(v) *Overdue loans*—The total amount due for recovery from the loanees as on the 31st March, 1963 as worked out from the loan ledgers which had not been posted completely (July, 1963) was Rs 39.05 lakhs against which only a sum of Rs 14.36 lakhs had been recovered up to March 1963 from the parties concerned

Out of Rs 24.69 lakhs overdue for recovery a sum of Rs 12.56 lakhs was stated to be recoverable from the different units of the Board itself so that the amount overdue from other loanee Societies/

Institutions was Rs. 12.13 lakhs of which a sum of Rs. 9.02 lakhs related to the period prior to 1959-60.

It was also noticed that the amount overdue for recovery included a sum of Rs. 4.64 lakhs recoverable from 125 Co-operative Societies which had ceased to function. The Board stated in December, 1963 that attempts were being made to revive these Societies after investigating the reasons for their closure.

(vi) *Alleged misappropriation, losses, thefts, etc. of cash/stores.—*

(a) Cash and stores of a total value of Rs. 12,473 are suspected to have been embezzled by the Manager, Y ogni Koath Production Centre up to October, 1961. The Manager was suspended in November, 1961. The Board stated in December, 1963 that recovery had been made from the Manager except for a sum of Rs. 1,745 for which legal action was being taken.

(b) In the Kateshwar Production Centre cash and yarn of a total value of Rs. 24,555 (provisional) were alleged to have been misappropriated in 1961-62 and 1962-63. The Board stated in December, 1963 that investigation of the case was in progress and that according to present indication the amount involved would be substantially less.

(c) In the Nalanda Production Centre stores and cash of a value of Rs. 7,398 were alleged to have been misappropriated between June, 1960 and February, 1962 by fictitious entries of purchase of yarn and fictitious adjustment of the sale-proceeds of Khadi cloth against the security deposits of spinners, etc. The Board stated in December, 1963 that a sum of Rs. 2,700 had since been recovered and that legal action for recovery of the balance was under contemplation.

(d) The Secretary of a Co-operative Society engaged in hand pounding of paddy issued two cheques for Rs. 17,877 and Rs. 21,086 in July, 1961 and September, 1961 respectively, in payment of the price of 952½ maunds and 1,123½ maunds of paddy supplied to the Society by the Board. The cheques were dishonoured by the drawee bank for want of adequate balance. Two criminal cases were instituted by the Board against the Secretary of the Society in November, 1961. The matter was stated to be *sub judice*.

The Secretary of the same society was alleged to have misappropriated 2,588 maunds of paddy worth Rs. 36,232 entrusted to him for custody in February, 1961. The Secretary deposited Rs. 10,000 on the 14th October, 1961. The Registrar of Co-operative Societies was requested in November, 1961 to conduct an enquiry with a view to recovering the amount. The results of the enquiry are not yet known (September, 1963).



(e) About 214 maunds of paddy of the value of Rs 3,426 entrusted to another Co-operative Society (Raipur M. P. Industrial Co-operative Society Ltd) were alleged to have been stolen. The matter was reported to the Police in February, 1962 and is sub judice (September, 1963)

(f) 153 maunds of mustard seeds valued at Rs 5,583 were found short in the Bihar shariff and Barn Godowns at the time of transfer of charge of a Village Oil Industry Inspector in November, 1962

Besides a sum of Rs 528 on account of sale proceeds of the mustard seeds had not been credited by the Inspector

The Inspector was placed under suspension from December, 1962 and the matter was under investigation by the Board (December, 1963)

(vi) *Schemes transferred from the State Government to the Board*—On the formation of the Board in 1956 some of the Village Industries Schemes executed by the State Government such as (1) Palm Gur, (2) Gur and Khandsari etc were transferred to the Board.

The details of the assets and liabilities transferred to the Board in respect of these schemes as furnished by the Board in January, 1957 were stated to be still under examination by Government (January 1964)

(vii) *Unadjusted advances*—A total sum of Rs 110 41 lakhs was advanced up to the 31st March, 1962 to Government Departments, Trusts Board officials and other individuals in connection with the various works/schemes of which a sum of Rs. 72.34 lakhs only had been adjusted up to the 30th June, 1963 leaving a balance of Rs 38 07 lakhs

A yearwise analysis of the outstanding advances was not available with the Board.

(ix) *Miscellaneous (a) Accounts of Ambar Parishramalayas*—Up to 1961-62 14,349 Ambar Charkhas valued at Rs. 13 63 lakhs (Rs 95 each) were purchased and distributed by the Board to the Parishramalayas which were to train spinners in the use of these Charkhas

A portion of the cost of the Charkhas was recoverable from the trainees on completion of training either in cash or in the shape of yarn produced by them

No systematic accounts were rendered by the Parishramalayas regarding the number and value of Charkhas issued, the amount recovered from the trainees and the balance outstanding for recovery.

(b) *Accounts of stores and stock.*—The Board is handling large quantities of consumable stores such as cotton, oil-seeds, paddy etc., valuing several lakhs. The postings in the stores ledgers maintained by the Board were incomplete and no proper reconciliation had been done between the quantity and value accounts (October, 1963).

#### *Audit Report, 1965*

The annual accounts of the Bihar Khadi and Village Industries Board for the years 1957-58 onwards have not been finalised by the Board so far (November, 1964).

### GUJARAT

#### *Audit Report 1964*

*Gujarat Rajya Khadi Gramodyog Board.*—The Saurashtra Khadi and Village Industries Board and the Ahmedabad division of the Khadi and Village Industries Board, Bombay were merged on the 27th February, 1960. The Khadi and Village Industries Board (Ahmedabad, Rajkot and Kutch) thus established was re-named as the Gujarat Rajya Khadi Gramodyog Board on the 5th May, 1960.

The apportionment, as between the Maharashtra and Gujarat Boards, of the assets and liabilities of the former Bombay Khadi and Village Industries Board so far as it pertains to the Ahmedabad Division, has not been completed.

The amounts received by the Board during 1960-61 and 1961-62 as (a) grants from the State Government mainly for meeting administrative expenses, and (b) loans and grants from the All India Khadi and Village Industries Commission for implementing schemes for the development of Khadi and Village Industries, are indicated below:—

(In lakhs of rupees)				
Source from which received	Nature of assistance	Amount received during		
		1960—61	1961—62	
All India Khadi and Village Industries Commission.	Loan	78·13	73·73	
	Grant	19·85	28·85	
Government of Gujarat	Grant	27·75	12·25	

The following points have been noticed in Audit —

(a) *Maintenance of accounts—*

- (i) Government have not so far (October, 1963) finalised the rules required to be framed under the Bombay Khadi and Village Industries Act, 1950 for the maintenance of accounts and preparation of annual statements of accounts
- (ii) The accounts as at present maintained by the Board do not indicate separately the expenditure incurred from each loan or grant, it could not, therefore, be ascertained to what extent the loans and grants were utilised for the purpose for which these had been granted.

(b) *Non reconciliation of cash balance with the Bank.*—The cash balances in the the accounts of the Board, as intimated by Gujarat State Co-operative Bank Ltd, have not been reconciled since February, 1960 with the balances as shown in the books of the Board. Unless this reconciliation is done, fraudulent transactions, if any, may remain undetected

(c) *Loans and grants received from the All India Khadi & Village Industries Commission.*—(i) The Chartered Accountants auditing the accounts of the Board, have stated in their audit reports on the accounts of the Board for the periods 1960-61 and 1961-62 that they could not examine the accounts of receipts, disbursements and refunds of unutilised balances of loans and grants received from the Commission as these accounts had not been prepared by the Board

(ii) Loans amounting to Rs 52.71 lakhs and grants amounting to Rs 16.60 lakhs remained unutilised as on the 31st March, 1962, the dates of drawal of these amounts are not known

Out of the total loans and grants of Rs 22.94 lakhs received from the Commission up to the year 1961-62 for implementation of eight schemes, an unutilised amount of Rs 241 lakhs remains to be refunded by the Board (October, 1963)

(iii) A grant of Rs 1.73 lakhs was received in instalments from April, to August 1961 in connection with the establishment and maintenance of a Vidyalaya at Ahmedabad for imparting training in Village Industries. As the institution could not get adequate number of trainees, it was closed down in August, 1961. A sum of Rs 49,361 being the unspent amount out of the assistance received has not been refunded to the Commission so far (October, 1963)

(iv) A sum of Rs 12,500 was obtained from the Commission in July, 1963, representing that the amount had been refunded by the

Board to the Commission twice by mistake as unutilised. Actually there was no mistake as the amount refunded by the Board on the second occasion in 1962 pertained to another scheme. The amount of Rs. 12,500 received in July, 1963 has, therefore, to be refunded to the Commission.

(d) *Loans and advances given by the Board to different institutions.*—(i) Out of the assistance received from the Commission, the Board gives loans and grants to Co-operative and private institutions for implementation of different schemes. In respect of these loans and grants, the Board is required to furnish to the Commission, certificate of utilisation indicating the amounts utilised institution-wise.

Such certificates were not furnished to the Commission in respect of loans and grants disbursed up to March, 1959; general utilisation certificates (without institution-wise details) were furnished.

In respect of loans and grants disbursed during the period 1959-60 to 1961-62 (Rs. 237.79 lakhs), institution-wise utilisation certificates in respect of 63 per cent of the amount (Rs. 158.88 lakhs) are yet to be furnished (October, 1963), as indicated below:—

(In lakhs of rupees)		
Year	Total amount of loans and grants for which utilisation certificates were required	Amount for which certificates are yet to be furnished by the Board
1959-60	24.54 (loans) 10.69 (grants)	13.10 (loans) 8.39 (grants)
1960-61	63.60 (loans) 20.74 (grants)	40.89 (loans) 16.78 (grants)
1961-62	94.59 (loans) 23.63 (grants)	58.58 (loans) 21.14 (grants)
TOTAL	237.79	158.88

(ii) A sum of Rs. 13.71 lakhs which fell due for recovery up to the 31st March, 1963 in respect of loans given to co-operative and other institutions, was pending recovery (September, 1963). The yearwise analysis of this amount has not been furnished by the Board

(iii) Loans and grants amounting to Rs. 3.43 lakhs were given by the Board to 35 co-operative and private institutions during the period 1954-55 to 1956-57 for the development of match industry. The scheme was discontinued at the end of 1956-57, as it was not found workable by the Commission. The entire amount including

grants, became recoverable due to non utilisation of the financial assistance for the purpose for which it had been granted. A sum of Rs 172 lakhs (about 50 per cent) is however, still awaiting recovery (October 1963). Even the lists of assets created by the institutions out of the financial assistance have not been prepared, as advised by the Commission to enable any action being taken for taking over such assets towards the outstanding dues.

The matter was reported to Government in October, 1963 and their reply is awaited (March, 1964).

### KERALA

Audit Report 1963

Kerala Khadi and Village Industries Board.

The Kerala Khadi and Village Industries Board was constituted with effect from 1st August 1957 under Section 4 of the Kerala Khadi and Village Industries Board Act, 1957.

(i) Accounts—Out of the Khadi Hundis for Rs. 1,44,091 sold till 31st March, 1961 credit for Rs. 81,052 alone has appeared in the accounts leaving a balance of Rs. 63,039 for which credit has to be traced out. As per the statement of the Board, Rs. 20,327 alone remains to be collected. A balance of Rs. 42,712 thus remains to be accounted for.

670 Vouchers in support of payments of Rs. 13,27,165 during the period from November 1957 to March 1959 were not produced for inspection during the local audit. The Board stated in March, 1962 that the vouchers were being traced. 19 chalangos for Rs. 18,16,470 in support of remittances during 1959-60 were also not produced for scrutiny.

(ii) Utilisation of Loans and Grants—Up to the end of 1961-62, the assistance received by the Board (according to the statement furnished by the Board) is as follows—

	Grant	Loan
	Rs	Rs
From State Government	18,40,443	92,700
From Khadi and Village Industries Commission	50,49,371	90,97,498

Utilisation Certificates in respect of grants received from the State Government up to the end of 1960-61 (Rs. 14,24,881) have not been furnished by the Board by March, 1962.

(iii) *Audit of Accounts of Institutions receiving aid from the Board.*—The Board has given financial assistance amounting to Rs. 53,89,632 to 803 institutions till 31st March, 1961 but they have so far (March, 1962) checked the accounts of 150 institutions only.

(iv) *Non-utilisation of Assistance received from the Board.*—Financial assistance by way of loans and grants is given by the Board for various industries. Instances of payment of assistance far-in-advance of requirements and of non-utilisation of amounts by the assisted institutions are given below:

(1) *Village Leather Industry.*—A Society which was given a grant of Rs. 8,250 and a loan of Rs. 10,625 in March, 1960 has not commenced even the construction of building to run the unit as yet (February, 1963). Out of five other institutions which received assistance in 1960-61, only three have so far started the units (February, 1963).

(2) *Village Oil Industry.*—One Society which received Rs. 5,075 in 1959-60 was reported to be a bogus one. Another society which received aid of Rs. 26,062 in 1959-60 and 1960-61 did not start the Industry. Government stated in February, 1963 that Revenue Recovery proceedings have been taken against the former for the realisation of entire amount and against the latter for Rs. 4,014 as the balance amount of Rs. 22,048 has been recovered from the party.

(v) *Non-execution of agreements in respect of loans disbursed.*—No agreements have been executed by the loanees since May, 1958 in respect of loans disbursed by the Board. Instead, an undertaking is obtained in the applications for loans stating that agreements would be executed in due course. The non-execution of the agreements is stated to be due to the delay in finalising the question of exemption from stamp duty.

(vi) *Closing down of Ambar Parishramalayas.*—The Ambar Parishramalayas which were run by the Board were closed down on 31st December, 1959 and entrusted to Khadi Co-operative Societies. The outstanding liability against the staff whose services were terminated by the Board was provisionally fixed at Rs. 30,065 and is pending settlement (March, 1962). The Societies were directed to execute bonds agreeing to collect and remit in instalments the cost of charkhas transferred from the Parishramalayas. But no society has executed any bond so far (February, 1963). No Register has been maintained by the Board or the Village Industries Offices to watch recovery of the cost of charkhas. Details regarding the number of charkhas issued in each district and the value thereof pending recovery were also not available with the Board. However, in respect of five districts 2,147 charkhas costing Rs. 2.25 lakhs have been issued.

(vii) *Payyannur Khadi Centre*—The Payyannur Khadi Centre which was formerly run by the Industries Department was brought under the control of the Board from 1st November, 1959. A statement of assets and liabilities as on the date of transfer has not yet been prepared. In the Board's Budget Estimates for the years 1959-60 and 1960-61 no account has been taken of the estimated receipts and expenditure of this centre. Rs 5 14 792 was pending adjustment on 31st March 1961 on account of cost of Khadi supplied by the Centre to Government Departments and Offices under the Board. The value of stock and stores taken over on 1st November 1959 was Rs 10 05 lakh, (net). The stock verification report revealed a deficiency of stores to the value of Rs 25 51 as on 1st November, 1959. Action to fix responsibility for the loss is reported to be still in progress (February 1963).

(viii) *Running of Neera Bhavans*—Six Neera Bhavans opened by the Board towards the end of 1958 were closed down in October, 1959. In 1958-59 the Board incurred an expenditure of Rs. 53,416 on the running of the Bhavans whereas the total receipts during the period was only Rs 12,858. Machinery worth Rs 31,630 purchased for the Neera Bhavans are remaining idle from October, 1959. It is stated that steps for their disposal are being taken (February, 1963).

(ix) *Sub-standard Cloth*—Sub-standard varieties of cloth for a total value of Rs 1.84 lakhs had accumulated in the Khadi Centre, Payyannur, Central Godown Shoranur and the various Khadi Bhavans. These were ordered to be disposed of allowing a special rebate at rates varying from 15 per cent to 25 per cent.

(x) *Transactions of subordinate Institutions*—Results of test check of 15 subordinate institutions revealed that accounts of cash transactions were not properly maintained. Several instances of short credit omission in accounting in cash book, receipt of money without issuing receipts, undue delay in remitting money or refund of advances, utilisation of receipts for expenditure etc., had been noticed. In four offices printed receipt forms were not used. In three cases stock accounts of receipt books were not properly kept or receipt books were missing.

Audit Report, 1964

#### *Kerala Khadi and Village Industries Board*

(i) *Accounts*—The form in which the accounts of the Board are to be maintained as required under Section 29 of the Kerala Khadi and Village Industries Board Act 1957 has not so far been finalised (November, 1963).

(ii) *Utilisation of loans and grants.*—The Board had received grants and loans from the State Government aggregating Rs. 24.60 lakhs to end of 1962-63. The year-wise details of the amounts received (according to the statements furnished by the Board) are given below:—

(Amounts received in lakhs of rupees)

Year	Grant	Loan	Total
1957-60 . . . . .	8.55	0.70	9.25
1960-61 . . . . .	5.70	..	5.70
1961-62 . . . . .	4.16	0.22	4.38
1962-63 . . . . .	4.57	0.70	5.27
TOTAL . . . . .	22.98	1.62	24.60

Utilisation certificates for the entire assistance received from the State Government by way of loans and grants amounting to Rs. 24.60 lakhs up to end of 1962-63 are still awaited from the Board (November, 1963).

(iii) *Maintenance of records to watch repayment of loans advanced by the Board.*—The records maintained by the Board in respect of loans advanced to the various institutions do not indicate essential details such as the due date for commencement of repayment, amount of instalment, rate of interest, etc., with the result that the extent of the amounts that have fallen due for repayment but are remaining unrealised is not exactly known.

(iv) *Idle Machinery and Equipment.*—Machinery and equipment costing nearly Rs. 3.02 lakhs are remaining idle with the Board as detailed below:—

Details of idle machinery and equipment	Cost. (Rs.)	Period from which remaining idle.	Remarks
1. 1371 Charkhas taken over from Ambar-parishramalayās.	1,64,520	January, 1960	Board has intimated in August, 1963 that sanction of Khadi Commission has been obtained for the repairs of these charkhas.



1	2	3	4
2 Machinery for Hand made paper Industry—			The machinery was handed over to three societies. But they have not been put to use.
Small Units	20,955	1959-60	
Medium Units	6 544	1959-60	
Training Units	9 688	1959-60	
3 Emery stone Chakkes for Hand Pounding of Paddy	6 050	1959 60	110 Chakkes remain unsold (November, 1963).
4 Beehives	5 084	1960 61	397 Beehives remain unsold (November, 1963)
5 Equipment for starting a dyeing and printing unit at Payasnur	6 847	Before November, 1959	Board has stated that the question of acquiring a plot of land for starting the unit is under correspondence with Government (August, 1963)
6 Water coolers in Neera Bhavans	22,153	October, 1959	Neera Bhavans were closed down in October, 1959. The Board stated (October, 1963) that urgent action was being taken to dispose of the water coolers
7 Vacuum units for Palm gur Industry	60,000	1961	The machines have been allotted to two societies. But they have not taken delivery of the machines (November, 1963)
TOTAL	3,01,851		

(v) Non utilisation of funds/non implementation of Schemes—The Board had given financial assistance to nearly 890 institutions to end of 1962-63. Nearly 300 of these institutions are now defunct. Some of the instances of non-utilisation of funds given by the Board and of delayed implementation of schemes for which financial assistance was given are mentioned below—

(a) Ambar Charkha Scheme—During 1961 62 the Board released funds to the extent of Rs 89,505 to 41 institutions for repairing 1,371 old model charkhas lying idle with them. But the funds released have not been utilised so far for want of spare parts (August, 1963)

(b) *Hand Made Paper Industry*.—Funds to the extent of Rs. 6.90 lakhs were released by the Board to 17 institutions during the period from 1958-59 to 1962-63 for starting new hand made paper units. None of these units has so far started working (October, 1963). Two of these institutions to which financial aid of Rs. 20,500 was given in 1959-60 are now defunct.

(c) *Blacksmithy and Carpentry*.—The Changanacherry Metal Allied Industries Co-operative Society to which a sum of Rs. 32,500 was given on the 17th March, 1961 has not yet started working (October, 1963).

(d) A sum of Rs. 93,355 out of financial assistance given to 10 institutions up to 1960-61, for various schemes still remains deposited (October, 1963) in the Bank without being utilised for the intended purpose.

(e) *Payees' acknowledgements not made available for audit*.—Payees' acknowledgements in 74 cases of 1961-62 and 154 cases of 1962-63 covering amounts of Rs. 4,11,489 and Rs. 14,49,297 respectively were not made available for scrutiny during the local audit.

#### *Audit Report for 1965.*

#### **Kerala Khadi and Village Industries Board.**

##### *(i) Utilisation of loans and grants:—*

79. The Board received grants and loans aggregating Rs. 28.27 lakhs and Rs. 2.38 lakhs respectively from the State Government upto the end of March, 1964; but utilisation certificates of grants and loans aggregating Rs. 6.65 lakhs and Rs. 2.25 lakhs respectively have not been furnished to Audit (October, 1964). Year-wise details of these cases are furnished below:—

(In lakhs of rupees)

Period of payment	Grant	Loan
1957-60. . . . .	5.29	1.57
1960-61. . . . .	0.48	..
1961-62. . . . .	0.31	0.22
1962-63. . . . .	0.27	0.70
1963-64. . . . .	0.30	0.76
<b>TOTAL . . . . .</b>	<b>6.65</b>	<b>2.25</b>

(ii) *Non Utilisation or misutilisation of assistance given by the Board —*

As part of its activities the Board extends financial assistance in the shape of loans and grants to Co-operative societies and other Institutions. Upto the end of March 1964 the Board had received loans and grants aggregating Rs 223.86 lakhs from the Khadi & Village Industries Commission out of which financial assistance was rendered to 1,222 institutions. The following points were noticed in Audit —

(a) *Non execution of agreements* — No agreement to utilise the assistance on the objects for which it is given have been executed with any of the beneficiaries. The Board stated (October, 1964) that steps were under way to have agreements executed.

(b) *Funds locked up in banks* — A sum of Rs. 1.76 lakhs (Grant Rs 0.54 lakh and loan Rs 1.22 lakhs) given to 16 institutions during December 1959 to November 1962 is still remaining unutilised. This include Rs 4,000 (Grant Rs 19,500) and loans Rs. 27,500), given in April 1962 to Kanampuram clay workers Co-Operative Society, Ottapalam for a glazed Pottery Unit the formation of which was reported to have been abandoned in December 1963.

(c) *Misutilisation of assistance* — Assistance amounting to Rs 1.78 lakhs by way of loans and grants given to 12 institutions during periods prior to March 1964 was utilised for purposes other than those for which it was given.

(d) 324 of these institutions which received loans and grants aggregating Rs 12.04 lakhs are now defunct (October 1964).

(iii) *Unfruitful outlay* — A co-operative society to which a grant of Rs 32,515 was given in 1962 for starting a unit for production of building materials has not started the unit (October 1964) though a major part of the assistance (Rs 20,574) had been invested on land building and equipment. The delay is attributed to competition from about 50 tile factories already existing in the area.

(iv) *Unaccounted goods* — Khadi goods costing Rs 0.96 lakh, acquired by the Board for the Khadi and Village Industries Exhibition held at Trivandrum in October 1958 are to be accounted for (October 1964). Certain officials who were in charge of the exhibition were held responsible for the loss in July 1962 but the loss has not been made good (October 1964). The Board has not (October, 1964) brought this to the notice of the State Government or of the Khadi Commission.

## (v) Loss of stores in Khadi Gramodyog Bhavans:—

The Board maintains 9 Khadi Gramodyog Bhavan, one in each District of the State, for propagating Khadi and Village Industries. Saleable articles like handicrafts and village industries products costing about Rs. 30,000 purchased prior to 1958 are remaining unsold in these Bhavans (October, 1964). In the Bhavan at Trivandrum, Knadi goods costing Rs. 47,934 were reported to be missing (July, 1963). The Manager of the Bhavan was placed under suspension in May, 1963; an enquiry is reported to be in progress (October, 1964).

(vi) *Infructuous expenditure*:—(a) Fieldmen were engaged from different dates during 1962 and 1963 in 7 of the Board's bee-keeping sub-stations (4 in Ernakulam and 3 in Trichur Districts) for distributing beehives and propagating bee-keeping industry. But no beehives have been supplied to these stations (October, 1964). This entitled an infructuous expenditure of about Rs. 10,589 upto August, 1964 towards the pay and allowances of the fieldmen and other sundry items of expenditure. (b) The Board opened a central godown at Shoranpur on the 1st January, 1960 for stocking and distributing Khadi goods. Since January, 1963, there has been no transactions in the godown. Nevertheless, the services of a godown manager and a packer-cum-watchman have been continued resulting in an infructuous expenditure of about Rs. 7,124 upto August, 1964.

(vii) *Credit sales of Khadi*.—Khadi goods are being sold by the Khadi Gramodyog Bhavans to Government servants on credit basis. The default in the realisation of dues, as on the 31st March, 1964 was Rs. 2.99 lakhs.

(viii) *Payees' acknowledgements not made available to audit*.—In 1963-64 payees acknowledgements in 404 cases for Rs. 21,52,295 were not made available for scrutiny during local audit. 'Payees' acknowledgements in respect of 74 cases for Rs. 4,11,489 relating to 1961-62 and 144 cases for Rs. 11,82,789 out of 154 cases for Rs. 14,49,297 relating to 1962-63 mentioned in paragraph 65-Page 86 of the Audit Report 1964 were still not made available (October, 1964).

## MYSORE STATE

*Audit Report, 1963.*

### Mysore State Khadi and Village Industries Board

68. It was mentioned in para 50 of the Audit Report, 1962 that the accounts of the Board since its inception had not been compiled and made available to audit. The position has not improved till now

(March, 1963) The proforma accounts of the Board office and seven centres have not been compiled while in respect of six units the compiled proforma accounts have not been checked and countersigned by the Accounts Officer of the Board

(i) *Cash not accounted for*—The cash balance in the Ghani Oil Sales Depot at Bangalore was Rs 4860 as on 31st May 1961. As per remarks made in the cash book, the then Manager who resigned on 31st May, 1961 did not hand over the money to his successor. A fresh cash book was opened on 1st June 1961 with a nil balance. The amount of Rs 4860/- has therefore not yet been accounted for. Result of the action taken for its recovery from the person responsible is still awaited (September 1962).

(ii) Out of the loans and grants of Rs 7.24 lakhs and Rs. 3.00 lakhs respectively released by the Board to Co-operative Societies and other private institutions to end of 1960-61 only Rs 4.05 lakhs (Loans) and Rs 1.49 lakhs (Grants) had been utilised leaving an unutilised balance of 2.59 lakhs (Loans) and Rs 1.51 lakhs (Grants). Yearwise details of the unutilised amounts are given below—

Year	Unutilised amounts	
	Loans Rs	Grants Rs
1957-58		
1958-59	27,738	8,340
1959-60	1,87,380	1,07,612
	44,338	35,123
TOTAL	2,59,456	1,51,075

(iii) *Overdue loan instalments*—Loan instalments aggregating Rs 7.75 lakhs were overdue as on 31st December, 1962 from 228 Co-operative Societies and other institutions.

(iv) *Stock and Stores*—Saranjam Karyalaya Bangalore—

(a) The stock verification conducted on 31st March, 1961 revealed a shortage of stock to the extent of Rs 39,057. Action taken to fix responsibility for the shortage is still awaited (September 1962).

(b) Stores worth Rs 14,152 have not been accounted for in the stock registers as per particulars detailed below—

Central Khadi Stores	
Saranjam Karyalaya Bangalore	10,277
Challakere Production Centre	1,385
	2,490

(c) *Loss in purchase of cotton:*—Quotations from seven local firms were called for by the Aimangala Khadi Centre for the purchase of cotton and a rate of Rs. 1,065 per candy offered by a firm was accepted. On receipt of communication from the Board accepting this rate, it was intimated by the Centre that the market rate was very much lower, namely Rs. 970 to Rs. 975 per candy. The Board, however, decided to place orders for 120 candies by reducing the rate offered by the firm by Rs. 30 only. This resulted in an extra expenditure of Rs. 7,200/-. The selling rate of cotton and also to be fixed below the purchase rate owing to complaints about the quality of the cotton resulting in an approximate short realisation of Rs. 30,000/-.

(v) *Loss in the manufacture and sale of furniture:*—The saran-jam Karyalaya, Bangalore undertook the manufacture and sale of furniture during the period from 23rd January, 1959 to 25th May, 1961. This resulted in a loss of Rs. 15,768 mainly due to omission to regulate the selling prices suitably. The basis on which the selling prices were fixed could not also be ascertained.

(vi) A van was purchased on 12th October, 1956 at a cost price of Rs. 12,400. In September, 1959 it was repaired at a cost of Rs. 9,166, when its depreciated value was Rs. 5,710. In October, 1960 it was sold for Rs. 4,650.

## MAHARASHTRA

### *Audit Report for 1963:—*

55. *Maharashtra State Khadi and Village Industries Board:—*(i) *Accounts.*—(i) The form of the annual accounts of the Board has not been prescribed by Government as required by the Bombay Khadi and Village Industries Act, 1960. As at present maintained, the accounts do not give a consolidated picture of the income and expenditure of the Board and its working results. The question of evolving a suitable form for this purpose is stated to be under consideration (February, 1963).

The accounts for 1961-62 have not yet been prepared (November, 1962). The following points were noticed during local audit of the accounts for 1960-61.

(ii) (a) *Arrears in recovery of loans:*—The Board obtains loans from Khadi and Village Industries Commission either directly or through the State Government and grants loans to industries out of the funds so obtained.

The recovery of loans by the Board is substantially in arrears in both cases. Thus against a sum of Rs 31.60 lakhs due to be recovered by November 1962 in respect of loans amounting to Rs. 58.65 lakhs obtained direct from the Commission, the actual recovery amounted only to 9.87 lakhs. Of the arrears of Rs 21.73 lakhs, Rs 16.42 lakhs related to cases where there was total default i.e. not even one instalment had been paid by the borrowers. The periods to which the arrears relate are shown below —

(in lakhs of rupees)

Prior to 1958-59	0.07
1958-59	0.74
1959-60	3.36
1960-61	3.94
1961-62	8.60
1962-63	6.02

Similarly in respect of loans amounting to Rs 2.5 lakhs obtained from the Commission through the Government and reloaned to industries in the Community Development Blocks, the total recoveries due upto November, 1962 amounted to about Rs 99,000 while the amount recovered was only Rs 28,000. In this case about 50 per cent. of the arrears arose out of total default.

The delay in recovering the dues from various Institutions has been explained as mainly due to the defect in the pattern of the schemes which does not provide sufficient margin for the repayment of loans. The Board has stated that the matter has been referred to the Khadi and Village Industries Commission. The Act has been amended in August 1962 to enable the Board to recover dues as arrears of land revenue in future.

In 88 cases those who had defaulted on outstanding loans have been given further loans for the same or a different purpose. The Board has stated that the rules do not preclude the grant of further loans under these circumstances but this practice would enable a borrower to repay an existing loan out of a subsequent loan. Generally even the grant of further loans has not helped to reduce the arrears of repayment of existing loans. Besides while the rules provide for penal interest on overdue instalments the ledgers of the Board do not show that such interest has been recovered.

(b) *Want of security for loans* — Loans so far given by the Board have not been secured by Mortgage of assets as required by the rules, as the form of the mortgage deed has not been finalised. A model

form suggested by the Khadi Commission is stated to have been sent by the Board in December, 1961 to the State Government for approval, which is still awaited (November, 1962).

(c) *Outstanding liabilities*:—It was noticed in test audit that four loans amounting to Rs. 2.65 lakhs due for repayment to the Commission between March, 1960—and March, 1961 have not been repaid by the Board (November, 1962). The total amount of such overdue liabilities is not readily traceable from the Accounts of the Board. It has been stated (February, 1963) that repayment of these loans is in arrears, as the societies and institution to whom they have been relented have not repaid to the Board the loan instalments.

(d) *Unutilised grants*:—The unspent balance of grants amounting to Rs. 1.9 lakhs obtained from Government during 1960-61 and 1961-62 has not been refunded to them or adjusted against the further grants received upto November, 1962.

(e) *Non-receipt of Utilisation Certificates*:—In respect of loans and grants amounting to Rs. 40.36 lakhs received from 1958-59 onwards from the Commission and grants amounting to Rs. 18.83 lakhs received during the same period from Government utilisation certificates have not been furnished by the Board (November, 1962). In order to enable them to do so, the borrowing institutions have to furnish certificates of audit from Chartered Accounts. The Board has replied that they are deputing their Internal Auditors to expedite their receipt.

## MADHYA PRADESH

### *Audit Report for 1963:*

*Madhya Pradesh Khadi and Village Industries Board*:—The Madhya Pradesh Khadi and Village Industries Board, which has been set up by an Act of the State Legislature to start, encourage, assist and carry on Khadi and Village Industries. receives grants from the State Government and grants and loans from the Khadi and Village Industries Commission.

(a) *Budget*:—The annual budget of the Board is required to be sanctioned by the State Government. The detailed budgets for 1958-59 and 1959-60 had not been submitted by the Board to Government budgets for 1960-61 and 1961-62 were submitted by the Board, but have not been formally sanctioned by Government.

(b) *Grants from State Governments*:—The expenditure incurred by the Board against the grants for organisational expenses received



from the State Government exceeded the amount of the grant as shown below. The excess in expenditure was met out of grants received for Development programme from the Khadi and Village Industries Commission —

(Rs in lakhs)

Year	Grant	Expenditure
1958-59	7.41	8.94
1959-60	5.53	7.24
1960-61	6.00	7.80
1961-62	6.55	7.51

(c) Grants from the Commission —On the other hand the expenditure incurred by the Board against grants and loans received from the Commission for Development programme was much less than the amount of the assistance. Details are given below,—

(Rs in lakhs)

Year	Assistance			Expenditure		
	Grant	Loan	Total	Grant	Loan	Total
1958-59	7.37	13.71	21.08	4.39	8.67	13.06
1959-60	5.71	11.49	17.20	4.82	9.77	14.59
1960-61	9.67	25.39	35.06	2.89	18.77	21.56
1961-62	24.98	61.14	86.12	8.67	23.97	32.64

The unutilised amount of the assistance received was not fully refunded to the Commission. A part of the unutilised amount has been diverted to other purposes, e.g. organisational expenses referred to in (b) above, or expenditure on training centres run on agency basis mentioned in (d) below. A part of the unutilised amount has also been invested temporarily a sum of Rs 27 lakhs stood invested in short term deposits on 31st March, 1962.

(d) Training Centres —An expenditure of Rs 2.83 lakhs was incurred by the Board upto 31st March, 1961 over and above the amount received from the Tribal Welfare Department for running certain training centres for that department on agency basis. A further

expenditure of Rs. 1.24 lakhs was incurred on these centres in 1961-62. But, as the Board could not comply with the conditions required to be fulfilled by them, e.g., submission of progress reports of the schemes undertaken by the Board, till March, 1962 Government could not reimburse the expenditure incurred by the Board.

A centre for training in bee-keeping, which was established at Bajna in 1958-59 on behalf of Tribal Welfare Department, was closed down with effect from 1st April, 1962. It was expected that this centre would train 20 persons per year and produce 1000 lbs. of honey per annum. During the four years of its existence, however, only 32 persons (10 in 1960-61 and 22 in 1961-62) were trained and the total production of honey was 1355 lbs.

An Ambar Charkha centre was set-up in Jabalpur in July, 1961 with a view to giving relief to the persons affected by communal riots in that town in February 1961. No one joined the Centre till March 1962, when the centre was closed down. The expenditure of Rs. 6,690 incurred on the centre thus proved infructuous.

(e) *Sale of Ambar Charkhas*:—The Board sells Ambar Charkhas to artisans on hire purchase system. The terms of the sale provide that an artisan who spins 900 hanks of yarn would be granted rebate of purchase price varying from Rs. 20 to Rs. 30 according to the model of the Charkha. The registers required to be maintained to show number of hanks spun and rebate due to each artisan were found incomplete in Indore in February 1961 and Biaora in April, 1962; it could not, therefore be ascertained whether the correct amount had been recovered from the Purchasers.

(f) *Non-recovery of dues from an agent*:—The agreement entered into with a private party who was given the sole agency for selling soap produced in the Soap Centre, Rau (Indore District), from December, 1958 provided that the agent would be allowed credit only to the limit of the surety of Rs. 10,000. Nevertheless—

(a) against supplies worth Rs. 16,644 made to the agent in 1958-59, Rs. 8,505 were still to be recovered in February 1961, and

(b) only Rs. 2,867 were recovered in cash in 1959-60 against supplies worth Rs. 42,980; of the balance of Rs. 40,113 for which the agent was granted credit, Rs. 9,443 were still due to be recovered in February 1961.

(g) *Grant and loans by the Board*:—The Board paid an amount of Rs. 50,000 to the Village Industries Emporium Committee, Gwalior,

in March, 1959 as grant for the construction of a building for an Emporium. The construction had, however, not progressed beyond the basement stage till October, 1962. It would seem that the grant was paid in advance of requirements.

(h) A Co-operative Society in Indore region, which was granted a loan of Rs 5 600 on 18th June, 1958, stopped working in 1961-62 leaving an unrefunded balance of Rs 3,522. Another Co-operative Society in the Dhar region which was given a loan of Rs 1,500 in February, 1960 for developing the palm jaggery industry did not utilise the loan till March 1961 (date of audit), the amount was lying idle in a Bank. The latest position has not been intimated by the Board (February 1963).

Some other instances of delay in recovery of the loans made by the Board are mentioned below. —

Name of Loanee	Amount overdue	Due Date of Payment	Not recovered till
	Rs		
Advasi Bahu Kanya Karini Gorts Samiti, Sheopur	5,000	14-8-1959	} April, 1962
Sarvodaya Tel Utpadak] Samiti Ranod	5,000	10-10-1959	
Lok Sevak Tel Utpadak Sahakari Samiti, Shippuri	1,050	2-12-1960	} October, 1962
	1,050	2-12-1961	
	1,453	8-4-1961	} October, 1962
	1,373	8-4-1962	

The Administrative Office of the Board does not have a proper account of the loans granted to others with the result no systematic watch over the recovery of loans could be kept. Even though the rules provide for charging interest at penal rates in cases of delayed repayment of instalments of loans, no action has been taken to enforce it.

### MADHYA PRADESH

Audit Report, 1965

The Madhya Pradesh Khadi and Village Industries Board was constituted under the Madhya Pradesh Khadi and Village Industries Board Act, 1959 with effect from 11th July, 1960.

(i) Accounts — The rules for the maintenance of accounts and the forms for presentation of the annual statement of accounts have not

been prescribed by the State Government so far (September, 1964), as required under Section 29 of the Madhya Pradesh Khadi and Village Industries Board Act, 1959. The Board, however, has been presenting the annual accounts in the form of a receipts and payments accounts.

(ii) *Utilisation of loans and grants*:—The year-wise details of the amounts received from the Khadi and Village Industries Commission as loans and grants and the amounts utilised and refunded are given below:—

Year	Amount received		Amount utilised		Amount refunded upto March, 1964	
	Loan	Grant	Loan	Grant	Loan	Grant
(In lakhs of rupees).						
Upto 1961-62	1,45.91	61.07	97.94	42.60	43.29	12.51
1962-63	33.58	12.27	29.84	8.56	3.74	3.71
TOTAL	1,79.49	73.34	1,27.78	51.16	47.03	16.22

Unutilised loans (Rs. 4.68 lakhs) and grants (Rs. 5.96 lakhs) received up to March, 1962 have not so far been refunded (September, 1964).

The Board has not yet (September, 1964) furnished certificates of utilisation for the following amounts:—

Year	Loan	Grant
(Amount received in lakhs of rupees)		
Upto 1961-62	42.73	25.89
1962-63	29.84	8.56

The delay in furnishing the utilisation certificates has been attributed to the non-receipt of the certificates from the societies/institutions to whom the financial assistance has been given and non-completion of audit of the accounts of the societies by the Registrar, Co-operative Societies.

(iii) *Maintenance of the records to watch repayment of loans advanced by the Board*:—The records maintained by the Board in respect of loans advanced to various institutions do not indicate

essential details such as the due date for repayment of instalments of loan amount of instalment rate of interest etc., with the result that the extent of the amounts that have fallen due for repayment but are remaining unrealised is not known and timely action has not been taken for effecting recoveries. The total amount over-due for recovery from the borrowers up to the 31st March, 1964 was Rs. 16 77 lakhs (September 1964)

(iv) *Audit of grantee/loanee institutions*—Up to March 1964 the Board had given financial assistance to about 600 co-operative societies but in respect of these societies audited statements of accounts have not been obtained so far from the Registrar, Co-operative Societies. There are no records to watch the receipt of periodical verification reports of utilisation of grants and loans disbursed to the societies/institutions

52 societies which received loans and subsidies amounting to Rs 6 30 lakhs up to March 1964 have become defunct and 129 societies are reported to be working not satisfactorily as indicated below—

Name of Industry	No of societies	No of societies defunct	No not working satisfactorily
Village Oil			
Village Pottery	336	25	102
Paper	41	1	19
Fibre	3	1	1
Bee-keeping	7	1	2
Handpounding of Rice }	5		5
Khadi }	Not known	19	
		5	

A review of the inspection reports of the offices of the Board and the Khadi and Village Industries Commission and the annual progress reports revealed.

(a) that due to unsatisfactory working awantike Wool Industry Co-operative Society Ujjain incurred a loss of Rs 2 924 during 1961 62 and Handmade Paper Industry Indore incurred a loss of Rs 33 982 up to 1962 63

(b) that funds to the extent of Rs 1 14 lakhs disbursed to 14 Societies in Oil Industry were not utilised for the purpose for which the funds were provided.

(v) *Repayment of loans by the Board*:—Repayment of loans advanced by the Commission to the Board to the extent of Rs. 29·61 lakhs was overdue as on the 31st of March, 1964.

(vi) *Outstanding advances*:—The following irregularities were noticed:—

(a) During the period from April, 1960 to May, 1963, advances were paid to officers and institution towards exhibitions. As against these advances a sum of Rs. 19,000 was outstanding at the end of September, 1964, even though these were required to be adjusted "within the same financial year" by rendition of complete accounts,

(b) Further advances were paid in some cases before adjustment of the previous advances,

(c) Advances for different purposes have not been exhibited separately.

(d) The transactions relating to advances have been classified to final heads of account instead of being shown under 'advance' head to enable proper watching.

(e) Year-wise analysis of the outstanding advances is not available with the Board and

(f) No reconciliation has been done between the figures of the Board and the sub-offices.

(vii) *Losses*:—12 cases of alleged frauds, embezzlements, thefts, etc. involving a sum of Rs. 0·20 lakh were reported during the period from 1960-61, to 1963-64, as indicated below:—

	No. of cases	Amount involved (In lakhs of rupees)
Frauds and embezzlements . . . . .	5	0·18
Thefts . . . . .	6	0·01
Other losses . . . . .	1	0·01

An amount of Rs. 1,200 only has been recovered from the parties concerned.

(viii) *Stock account* —The value of shortages noticed during annual verification of stock is not available with the Board, it was stated that such reports had not so far been obtained and consolidated and the issuing of detailed instructions in this regard was under considerations. There is no scientific system of internal stores control. No records are maintained showing (a) the results of physical verification of the closing stocks of stores and finished products, (b) receipt of statements showing the balances of stock in hand, issues and receipts and (c) action taken for timely disposal of finished products as well as unserviceable and surplus stores. The reserve limits of stores to be handled by different centres have also not been fixed.

(ix) *Internal audit* —There is no system of internal audit of the accounts of the centres and other offices. Proposals for constituting internal audit parties were, however stated to be under consideration (September 1964).

(x) *Local audit* —The following types of irregularities were noticed during the local audit of the regional and administrative offices of the Board conducted during 1963-64 —

- (a) Defective maintenance of cash book and omission to conduct physical verification of cash
- (b) Defective maintenance of stock registers and omission to conduct physical verification of stock and weeding-out of surplus and obsolete stocks
- (c) Non realisation of security deposits from officials handling cash and stores and
- (d) Delay in the adjustment of advances granted to officials for specified purposes

*Ambar Charkha Scheme* —Up to March 1962 2,273 Ambar Charkhas valued at Rs. 2.73 lakhs were distributed by the Board to the spinners on hire-purchase system. Of these 2,066 Charkhas valued at Rs. 2.48 lakhs were returned to the Board up to October 1963 as the spinners had abandoned spinning work. 179 charkhas (value Rs. 0.21 lakh) are missing.

—Out of the total stock of 6,049 charkhas at the end of March 1964 2,955 are stated to be unserviceable. 308 charkhas were remodelled.

up to March, 1964 at a cost of Rs. 7,160 but none of these charkhas has been sold so far (September, 1964).

*Centres transferred from the Industries Department:*—In July, 1963 Government accorded sanction for the transfer to the Board, of 34 centres which were formerly run by the Industries Department.

The centres were taken over by the Board with effect from 1st November, 1963. A review of the working of the centres conducted by the Board in September, 1964 indicated that only 4 out of the 34 centres were fit to be continued; the remaining 30 centres were "defunct" even before the transfer. These centres have not yet commenced functioning. Unproductive expenditure at the rate of about Rs. 7,000 per mensem is being incurred on the maintenance of staff of these 30 centres; the decision regarding the future course of action has not so far been taken (September, 1964).

## MADRAS STATE KHADI AND VILLAGE INDUSTRIES BOARD

### *Audit Report, 1964*

1. *Delay in Compilation of Annual Statement of Accounts:*—Consequent upon the formation of the Madras State Khadi and Village Industries Board, the functions of the Khadi department and the Village Industries Wing of the Industries department were transferred to the control of the Board with effect from the 15th September, 1960. Under Section 20(1) of the Madras Khadi and Village Industries Board Act, 1959, the Board is required to prepare annual accounts in the prescribed form. The form of accounts has not yet been prescribed and consequently the annual accounts of the Board since its formation have yet to be compiled.

The position in regard to the accounts pertaining to the periods prior to the formation of the Board is indicated below:—

- (i) Consolidated Commercial Production Accounts of the Intensive Khadi Scheme for 1959-60 were submitted to Audit only in December, 1963.
- (ii) Consolidated Commercial Production Accounts of the Intensive Khadi Scheme and Ambar Charkha Scheme for the period from the 1st April, 1960 to the 15th September, 1960 are yet to be finalised (December, 1963).

The delay in preparation of accounts has been attributed to lack of qualified accountants in the unit offices.



2 (a) The table given below sets out the position regarding utilisation of grants and loans received by the Department/Board from the Khadi and Village Industries Commission for Khadi and Village Industries schemes.

Period	Amount received	Amount utilised	Amount refundable	Amount refunded	Balance
(In lakhs of Rupees)					
<b>Khadi Scheme</b>					
Grants 1956-57 to 1962-63	63.27	59.97	3.30	.	3.30
Loans 1957-58 to 1962-63	3.43.10	.	.	.	.
<b>Village Industries</b>					
Grants 1956-57 to 1962-63	72.61	63.30	9.31	2.37	6.94
Loans 1956-57 to 1962-63	1,28.46	98.50	29.96	3.19	26.77

\* Not utilised

Inclusive Rs. 3.45 lakhs (grants) and Rs. 1.67 lakhs (loans) spent in excess and pending regularisation.

Utilisation certificates have yet to be furnished (July, 1963) to the Commission for the following items:-

	Loan		Grant	
	Period	Amount (In Lakhs of Rupees)	Period	Amount (In Lakhs of Rupees)
(i) Khadi	1957-58 to 1962-63	3.43.10	..	8.15
(ii) Village Industries	1956-61 to 1962-63	56.87	1960-61 to 1962-63	33.66

(b) The financial assistance remained largely or entirely unutilised (December, 1963) in the following cases:-

(A) Schemes not implemented in Serial numbers and names of the Schemes

	Amount Rs.	When drawn
1. Construction of godowns	Loan 2,25,000	1958-59 to 1960-61
2. Refresher courses for spinners	Grant 2,57,500	1960-61
3. Khadi testing laboratory	Grant 37,500	1961-62
4. All to weavers	Grant 45,000	1960-61
5. Vidyalas for training managers	Grant 7,780	1959-60
6. Vidyalas for training weaving instructors	Grant 12,000	1960-61
	Grant 28,000	1960-61

\*The grant remained unutilised for over three years and finally refunded 1963-64.

(B) Schemes partly implemented—

Serial number and name of Scheme		Amount Rs.	When drawn	Remarks
1. Opening of 2 Saranjam bhandar for ambar parts.	Loan	1,50,000	1961-62	The loan was intended to provide working capital for bulk purchase of ambar spare parts from the commission's bhandar at Ahmedabad. The purchases made upto March, 1963 amounted to Rs. 22,110 only.
2. Opening of a Model production centres at Narikkalpatti (Madurai district).	Loan	7,800	1958-59	The centre started in May, 1960 was closed in January, 1961 due to lack of response from Weavers and spinners of the locality, after incurring a total expenditure of Rs. 1,451. A sum of Rs. 21,114 (loan Rs. 1,950 and grant Rs. 19,164) remains to be refunded. The Khadi Commission is reported to have been addressed for utilising the amount on another scheme, viz., "Opening a Model Production Unit at Perumamallur".
	Grant	20,615	1958-59 to 1960-61	
3. Starting of two cotton ginning, carding and spinning units.	Loan	1,38,000	1958-59	Though the financial assistance was drawn for two centres, only one unit was opened in July, 1960. This unit was closed in April, 1961 (after incurring a loss of about Rs. 7,900 due to lack of response
	Grant	9,624	1958-59	

Serial number and name of Scheme	Amount Rs	When drawn	Remarks
			from the beneficiaries. The loan was refunded fully only in October, 1963. The grant admissible based on the approved pattern of assistance is reported to be Rs 3,139, a sum of Rs 6,485 is thus due to be refunded to the Commission.
4 Scheme for Ambar training course Grant	51,000	1960-61	A portion of the grant was set off against expenditure already incurred in training 53 persons between July, 1959 and January, 1960. Further training was stopped pending formulation of revised training programme.  A sum of Rs 24,602 remains to be refunded.
5 Model weaving centres Grant	1,93,035	1960-61	Accounts for Rs 1.67 lakhs only have been rendered to the Commission so far.

(c) The following points also came to notice during local audit:—

- (i) Out of 35,340 ambar charkhas (value Rs 34.39 lakhs) sold to spinners on hire-purchase basis 15,582 charkhas (value Rs 18.70 lakhs) were returned by them. Of these 3,707 charkhas valued at Rs 4.45 lakhs were reported to be unserviceable or lost. The question of reimbursement of loss on this account has been taken up with the Khadi and Village Industries Commission. Out of the remaining charkhas valued at Rs 14.25 lakhs, 1,771 are reported to have been remodelled into four spindle and six spindle charkhas (December, 1963). Particulars regarding the disposal of these remodelled charkhas are awaited. (ii) Two

workshops for the manufacture of the Wardha ghanis started in July, 1957 and June, 1958 were closed in September, 1961 and December, 1961 respectively due to lack of demand for ghanis. Particulars of the working of these two units are indicated below:—

	Number produced	Number sold	Remarks
Vengalapuram unit (North Arcot district).	92	64	(i) Two unsold ghanis at the second unit were used as firewood and the value of unsold ghanis in both the units is Rs. 10,500.
Makkanamkombai Unit (Coimbatore district)	32	23	(ii) In the first unit there were also stores valued at Rs. 12,000 at the time of closure. Particulars of disposal of the stores are awaited.

(iii) In April, 1959, Government sanctioned the establishment of a Central Leather Marketing Depot at Madras involving an outlay of Rs. 24,596 (Rs. 8,500 non-recurring and Rs. 16,096 recurring) and a working capital of Rs. 50,000 for (1) providing godown and marketing facilities to tanners and (2) offering technical assistance to village tanneries and co-operatives. A building was taken on rent in October, 1959 at Rs. 360/- per mensem and an assistant manager and a salesman appointed in November, 1959. The depot commenced functioning only in November, 1960. The expenditure incurred on the employment of staff and rent of building upto the date of commencement amounting to about Rs. 8,200 was infructuous. From the provisional accounts prepared, it is seen that the depot had incurred a loss of Rs. 11,500 in 1961-62 and Rs. 7,000 in 1962-63 (upto December, 1962).

(iv) A sum of Rs. 43,000 was due (May, 1963 from 12 cottage industrial co-operative societies which went into liquidation between 1960 and 1963.

(v) Particulars of utilisation of loans amounting to Rs. 1.16 lakhs drawn during 1961 and 1962 from the Khadi and Village Industries

Commission for Khadi schemes and disbursed to two private khadi institutions were not obtained and furnished to the Commission.

(vi) The position regarding outstanding dues to the Board is indicated below —

	Amount of our stand ings on the 31st March, 1963	Remarks
(In lakhs of rupees)		
(a) Credit sales of Khadi	9 64	A sum of Rs 1 65 lakhs related to periods prior to the 1st April 1961
(b) Sale of charkhas to spinners on hire purchase	11 12	
(c) Supply of Khadi goods from the Central Godown, Tiruppur, to Government departments, local bodies etc	38 20	A sum of Rs 12 02 lakhs relating to 1961-62 and earlier years was due from Government departments and local bodies (Rs 8 47 lakhs and certified institutions (Rs 3 55 lakhs)
(d) Loans to Industrial co-operatives for village industries	4 95	The amount pertaining to the period 1958-59 to 1961-62 was Rs 3 67 lakhs

3 *Saranjam Karyalayas* — The uneconomical working of the Saranjam Karyalayas was commented upon in paragraph 5 of Chapter VII of the Audit Report, 1962. The Committee on Public Accounts recommended in its report dated the 22nd May, 1963 that the need for the continuance of the existing six karyalayas might be re-examined.

All the six karyalayas are now engaged in producing furniture mostly for the Khadi Board. A review of the working results of the karyalayas for 1962-63 disclosed that four karyalayas worked at a loss (approximately Rs. 0 41 lakhs) and the other two at reduced profits as compared with the previous year (Rs 0 33 lakh as against Rs 0 74 lakh in the previous year). The total production in all the

six karyalayas was valued at Rs. 4.34 lakhs while the target fixed was Rs. 11.40 lakhs.

*Madras Audit Report 1965.*

The position as at June, 1964 in regard to utilisation of grants and loans received to end of 1962-63 from the Khadi and Village Industries Commission is as follows:—

	Loan (In lakhs of rupees).	Grant.
(i) Unutilised balance . . . . .	5.37	3.58
(ii) Certificates of utilisation to be furnished. . . . .	42.78	22.44

During the year 1963-64, the State Khadi and Village Industries Board received a sum of Rs. 8.36 lakhs as grants and Rs. 1,27,53 lakhs as loans from the Commission. In addition, the Board received a sum of Rs. 32.66 lakhs from the State Government towards the schemes relating to Rural Arts, Crafts and Industries (forming part of the Community Development Programme) entrusted to it.

(2) A few cases where the financial assistance given by the Board remained largely or entirely unutilised are given below:—

WHEN PAID.

- (i) Scheme for development  
of Khadi in rural areas.  
Loan Rs. 4.54 lakhs 1962-63  
Grant Rs. 2.21 lakhs.

The amount was paid to 68 Panchayat Union Councils covering 1,305 Panchayats. As against the target of 26,000 charkhas, only 9,084 were distributed to end of March, 1964.

It was noticed that the scheme was not implemented in certain Panchyat Unions. Information regarding the amount lying unspent is awaited. (December, 1964).

The committee on New Khadi Scheme which met in May, 1964, had expressed its concern over the poor progress and achievements of the Scheme.

- (ii) Scheme for construction  
of warping and sizing sheds  
for weavers in 30 villages  
to ensure quality of khadi.

No progress has been made in the acquisition of sites due to non-availability of land and the amount remained unutilised (August, 1964).

Loan Rs 1 65 lakhs March, 1963

Grant Rs 1 50 lakhs July 1963

- (iii) Scheme for conversion of certain pilot centres into model production cum sales centres

Grant Rs 0 41 lakhs June 1963

Out of three centres selected the site for constructing the panning and weaving sheds has been acquired only for one centre

- (iv) Assistance to Kakkampuram Hand made Paper Workers Co-operative Society

Grant Rs 45 00 1961-62

The construction work on the building has not yet been started as there is no electricity supply to the village. In June, 1964 Government sanctioned special subsidy (Rs 37 500) for extending power supply to this village.

The entire amount of Rs 45 000 is lying in fixed deposit in a Co-operative Bank

- (v) Assistance to the Erode Brick and Tile Co-operative Society

Loan Rs 17 500 March 1962  
Grant Rs 10 00

The working capital loan of Rs 17 500 and grant to meet the salary of staff for the year (Rs 3 260) were paid along with the assistance for construction of buildings and purchase of equipment. The construction work has not yet started and the entire amount of Rs 28,260 remains unutilised (June 1964)

3 Gramodyog Sales Depots — Out of 17 sales depots opened during the period from 1959-60 to 1962-63 four depots were closed down after they had run for 1 to 2 years due to poor sales. In the absence of pro forma accounts the loss in respect of the closed depots and the financial results of other depots could not be ascertained.

(4) Village Industries — (a) Oil Industry During the year 1963-64 a total assistance of Rs 10 31 lakhs (Rs 8 46 lakhs as loan and Rs 1 85 lakhs as grant) was given to Village Oil Producers Co-operative Societies. There were 156 such societies at the end of March 1964.

Out of 16 societies in Tiruchirappalli district in respect of which information was made available to Audit 8 were working at loss the cumulative loss being Rs 41 870. Proposal for liquidating one society which is dormant after incurring a loss of Rs 15 117 is reported to be under consideration (December 1964)

(b) *Soap-Making Units*.—Of the 23 units functioning at the end of March, 1964, pro forma accounts to end of 1962-63 had been finalised only in respect of 13 units and these indicated a cumulative loss of Rs. 1.28 lakhs. The loss was mainly attributed to high cost of production due to poor yield, excessive fuel consumption and lack of timely procurement of raw materials.

(c) *Hand-made Paper Units*.—(i) Sanction to the opening of a hand-made paper unit at Poondi was accorded in December, 1959. Machinery valued at Rs. 11,760 were purchased between February, 1960 and November, 1961. The work of construction of the building was started in March, 1961, but was stopped in May, 1962 as tubular trusses of the required size were not available. A decision to use angular trusses alternatively, was taken two years later in July, 1964, and the construction work has not yet been taken up (October, 1964).

(ii) In the case of the paper unit at Pidagam which started production in October, 1962, there was a delay of more than a year in commencing production after the machinery (valued at Rs. 18,200) were received in March, 1961, as certain defects were noticed in the machines. The value of production during 1963-64 was only Rs. 33.687 as compared to the target of Rs. 1 lakh.

(d) The Brass and Gur Metal Unit, Karumbupatti was closed in February, 1962. Surplus materials valued at Rs. 64,874 remain to be disposed of June, 1964.

5. The position regarding certain outstanding due to the Board is indicated below:—

	Amount of outstanding as on the 31st March, 1964	Remarks.
(In lakhs of Rupees)		
(a) Sale of charhas to spinners on hire purchase.	10.36	..
(b) Loans to village co-operative societies sanctioned upto March, 1963.	4.94	Out of this, a sum of Rs. 2.32 lakhs related to 1961-62 and earlier years. The amount due from 24 liquidated societies was Rs. 44,174.



## ORISSA

## Audit Report, 1964

## Orissa Khadi and Village Industries Board

The Orissa Khadi and Village Industries Board was constituted under an Act of the Legislature and started functioning from June, 1956. During the period from 1956-57 to 1961-62 the Board received the following grants and loans from the Khadi and Villages Industries Commission and grants from the State Government —

Khadi and Village Industries Commission	(In lakhs of rupees)
Grants	84.14
Loans	149.59
Government of Orissa—	
Grants	29.69

The following points were noticed in audit —

(a) Maintenance of accounts—(i) Separate accounts of expenditure incurred out of each loan/grant were not maintained with the result that in most of the cases the extent to which the loans/grants had been utilised for the purposes for which these had been obtained could not be ascertained.

(i) (1) Discrepancies in the accounts rendered by the Board to the Commission in respect of grants etc. disbursed to co-operative societies were noticed as shown below —

Name of Industries	Amount actually disbursed (as per disbursement scheme registers)		Amount shown in the accounts rendered to the Commission	
	Grants	Loans	Grants	Loans
	(In lakhs of rupees)		(In Lakhs of rupees)	
Hand Pound Rice		6.89		10.17
Village Leather Industries	0.41	0.49	2.26	2.79

These discrepancies have not yet been reconciled (October, 1963)

(2) The cash balances, as on the 1st April, 1961 of undisbursed grants and loans for 1960-61 in respect of Village Pottery Industry,

shown in accounts sent to the Commission in July, 1961 were Rs. 6,280 and Rs. 27,398 respectively; the actual cash balances in hand on the 1st April, 1961, as seen from the scheme registers and disbursement registers were, however, Rs. 1,56,418 and Rs. 2,69,469 respectively.

The submission of incorrect statements to the Commission had the effect of obtaining more grants/loans resulting in major portion of the grants/loans being retained by the Board unutilised for the purpose for which they were obtained.

(iii) No account records in support of the expenditure of Rs. 11,500 out of grants and Rs. 12,969 out of loans received in 1958-59 and 1960-61, for the Carpentry Section of the Saranjam Karyalaya were produced for audit to indicate their proper utilisation.

(b) *Discrepancies in cash balances, shortage and misappropriation of cash and stores.*—(i) The Bank balance as shown in the Cash Book of the Board as on the 31st March, 1962 was less by Rs. 3,82,040 than that intimated by the Bank. The discrepancy has not yet been reconciled (September, 1963).

(ii) The Assistant Salesman of one Sales Centre (Rourkela Khadi and Gramudyog Bhawan) is alleged to have misappropriated sale-proceeds to the extent of Rs. 9,200; the whereabouts of the salesman are not known.

(iii) Shortages of stores valued at Rs. 34,935 noticed in 2 Khadi Production Centres and 2 Sales Centres during 1957-58 to 1961-62 have not been regularised so far (September, 1963).

(c) *Utilisation of loans and Grants*—(i) Utilisation Certificates for grants and loans amounting to Rs. 72.72 lakhs and Rs. 109.29 lakhs representing 86 per cent and 72 per cent respectively of the total grants and loans received from the Commission up to March, 1962 were not furnished to the Commission (February, 1963).

(ii) According to the conditions laid down by the Commission the financial assistance received from them is normally required to be utilised within one year of receipt. However, out of the total grants and loans amounting to Rs. 2,33.73 lakhs received up to the end of March, 1962, a total sum of Rs. 49.23 lakhs remained unutilised as on the 31st March, 1963.

The yearwise analysis of the unutilised grants and loans was not furnished by the Board.

(iii) In the following cases grants and loans were disbursed by the Board in excess of the amounts received for the purpose from

the Commission apparently by diversion of funds received for other purposes —

Name of Industry	Grants/ Loans received from the Commission during 1956-57 to 1961-62	Amount actually disbursed by the Board	Excess
(In lakhs of rupees)			
(1) Village Potteries (Common work-sheds)	0 18	0 27	0 09
(2) Hand made paper (grants and loans to Rastriya Bhasa Co-operative Societies)	0 60	0 77	0 17
(3) Village Industry	0 11	0 54	0 43
(4) Village Leather Industry	0 18	0 36	0 18
(5) Palmgur Industries	6 07	8 06	1 99
(6) Bee-Keeping Industries	0 02	0 06	0 04
<b>TOTAL</b>	<b>7 16</b>	<b>10 06</b>	<b>2 90</b>

(d) Excess payment of grants by the Board.—A sum of Rs. 39,869, as detailed below, was paid by the Board to Utkal Tal Gur Samity during the period from 1957-58 to 1959-60 in excess of the grants admissible to it

Year of Accounts	Excess Amount Paid	Remarks
	Rs	
1957-58	1,008	Due to an arithmetical mistake
1958-59	<div style="display: inline-block; vertical-align: middle;"> <div style="font-size: 3em; vertical-align: middle; margin-right: 5px;">{</div> <div> 6,500 4,740 6,990 8,000 </div> </div>	Advances made in the previous years were not taken into account in the expenditure statement while releasing grants

Year of Accounts	Excess Amount paid	Remarks
	Rs.	
1959-60 . . .	11,109	Expenditure incurred during 1959-60, up to December, 1959 was reimbursed without adjusting advance payment of grant made during the year.
	1,523	Expenditure incurred in 1958-59 reimbursed twice once in 1958-59 and again in 1959-60.
TOTAL	39,869	

(e) *Unauthorized payment of advances by the Board.*—Advances amounting to Rs. 4.27 lakhs were paid to Orissa Rajya Samabaya Sangha for development of Palm Gur Industry, although payment of such advances was not permissible under the rules of the Board. An amount of Rs. 1.12 lakhs is still awaiting recovery/adjustment from the Society (September, 1963) as indicated below:—

Year	Amount of advance paid	Advances outstanding (September, 1963)
	(In lakhs of rupees)	
1959-60 . . .	1.37	0.27
1960-61 . . .	1.45	0.22
1961-62 . . .	1.45	0.63
TOTAL . . .	4.27	1.12

### PUNJAB

*Audit Report, 1963*

#### Khadi and Village Industries Board

The Punjab Khadi and Village Industries Board was established with effect from 1st September, 1957 under Section 3 of the Punjab Khadi and Village Industries Board Act, 1955.

*A. Appointment of members of the Board.*—Under clauses (d) and (e) of Section 6(1) of the Act, a person shall be disqualified for being appointed or for continuing as a member of the Board if (1) he has directly or indirectly any share or interest in any subsisting contract or employment with, by or on behalf of the Board; or (2) is a

Director Secretary Manager or a salaried officer of any incorporated company or co operative society which has any share or interest in any contract or employment with by or on behalf of the Board. During audit it was however not ceded that in five cases the members of the Board were holding one or other of the aforementioned positions in the institutions receiving grants loans from the Board

**B Accounts**—The rules for the maintenance of accounts and the forms for the presentation of annual statements of accounts have not been prescribed by the State Government so far (March 1963) as required under Sections 30(1) and 34(2) (h) of the Act. No annual statements of accounts were also made available to Audit at the time of local inspection

**C Surplus Funds**—The Board received from the Khadi and Village Industries Commission the following grants and loans for carrying on its activities and for granting assistance to co-operative societies cottage industries etc —

	(Rs in lakhs)	
	Grants	Loans
1957-58		
1958-59	5 20	9 45
1959-60	6 42	6 56
1960-61	6 37	15 86
1961-62	4 27	23 14
	10 43	32 34

Out of the amounts received in 1960-61 a sum of Rs 5.99 lakhs (loans Rs 4.44 lakhs and grants Rs 1.55 lakhs) was refunded to the Khadi and Village Industries Commission in 1961-62 as it could not be utilised. A sum of Rs 3.02 lakhs (loan Rs 1.57 lakhs and grants Rs 1.45 lakhs) received in that year also remained unutilised as on 31st March, 1962. In addition a sum of Rs 6.97 lakhs which could not be disbursed to various societies for want of completion of formalities by them had been kept under a suspense head as on 31st March 1962 to avoid the amount unutilised having to be refunded to the Commission.

The Board also received grants amounting to Rs 6 lakhs and an interest-free loan of Rs 4 lakhs from the State Government during 1957-58 to 1961-62. Of the grants received a sum of Rs 4.39 lakhs only was utilized and Rs 1.23 lakhs were refunded to Government up to February 1963 as unutilised.

Large amounts (Rs 32.73 lakhs for 12 months and Rs. 8.16 lakhs for 9 months) were invested in scheduled banks as one month's

deposits bearing interest at the rate of 3½ per cent per annum. However, with effect from July, 1962, part of the money (Rs. 7·30 lakhs) was invested as '91 days' deposits bearing interest at the rate of 3½ per cent. Had the previous investments been also made in '91 days' deposits, the Board could have earned an extra amount of interest of Rs. 0·25 lakh during the period 1st April, 1961 to 30th June, 1962. Besides, there were heavy balances in the current account of the Board (the balance ranging up to Rs. 7·41 lakhs in October, 1961) on which no interest was earned.

*D. Utilisation of grants and recovery of loans.*—During the period from September, 1957 to March, 1962, 290 societies and institutions in all had received loans and/or grants from the Board. Out of these, the accounts of only 59 grantee/loanee societies were checked by the representatives of the Board to ensure their proper utilisation. There was no proper record to watch the receipt of the periodical utilisation certificates from the societies/institutions required under the terms and conditions of the loans and grants. During 1961-62, out of 27 cases test checked, utilisation certificates were not available for the full amount in 9 cases.

In 1958-59 to 1960-61, in majority of cases, no periodical statements of accounts duly audited by the auditors of the institutions were furnished to the Board, as required under the conditions of grant of loans. In 1961-62, out of 27 cases test checked, accounts had not been submitted in 6 cases.

In 14 cases, loans and grants amounting to Rs. 0·60 lakh were found to have been misutilised by the beneficiaries during 1957-62.

Two other important cases of misutilisation are detailed below:—

- (i) A loan of Rs. 0·10 lakh was advanced in October, 1958 to the Gram Udyog Samiti, Ambala Cantt. for village oil and hand pounding industries. The financial position of the Samiti was not verified before the loan was given; the assistance was irregularly utilised for liquidation of old debts. The amount is still (March, 1963) recoverable and steps are stated to have been taken in October, 1962 to recover it through the revenue authorities as arrears of land revenue.
- (ii) A loan of Rs. 0·23 lakh (repayable over periods varying from 18 months to 5 years) and a grant of Rs. 0·11 lakh were received by Bharat Kutir Udyog Samiti, Amritsar during May, 1958 to March, 1959 for hand pounding of

paddy, village oil and soap industries. The financial position of the society was not verified before the assistance was given. In August 1960 a representative of the Board reported that the financial position of the Samiti was unsound. A sum of Rs. 0.08 lakh out of the loan became recoverable by 24th September 1962. Timely action was not taken by the Board to recover the amount as and when it fell due on various dates between 1959 to 1962 and it is still (March 1963) outstanding.

The assets and liabilities of the Samiti were partly taken over in March 1963 by the Punjab Khadi Gram Udyog Sangh, Adampur Doaba and the remaining are yet to be handed over to the Sangh (March 1963).

Loans amounting to Rs. 0.84 lakh had become due for recovery on 31st March, 1962 (from 55 societies/units) including a sum of Rs. 0.14 lakh called back in lump as the same had not been utilised properly. Out of this only a sum of Rs. 0.15 lakh had been recovered up to 30th June 1962. The amount of interest recoverable on that date was Rs. 456. In addition as on 31st March 1962 grants of Rs. 0.03 lakh made to societies had been revoked and asked to be refunded as the amount had not been utilised for the prescribed purpose. The amount had not been recovered up to 30th June 1962.

It was intimated by the Board in March 1963 that the overdue amount of Rs. 0.84 lakh had been reduced to Rs. 0.00 lakh (recoverable from 8 societies) and that a sum of Rs. 0.36 lakh was due from 9 societies etc. on account of unutilised funds.

**E. Physical Verification of Stores**—Physical verification of stores of all the Spinning and Weaving Centre was conducted at the close of the year 1961-62 in respect of 12 centres shortages of stores worth Rs. 0.03 lakh were noticed. The results of physical verification of the remaining 28 centres were not made available to Audit. Action taken to investigate the shortages and to regularise them is not known.

## PUNJAB

### Audit Report 1964

In regard to the Khadi and Village Industries Board, the rules for the maintenance of accounts and the forms for the presentation of annual statements of accounts have not been approved by the State Government so far (January 1964) as required under Section

30(1) and 34(2) (h) of the Punjab Khadi and Village Industries Board Act, 1955. The Board had received grants amounting to Rs. 11·63 lakhs and an interest free loan of Rs. 4 lakhs from the State Government up to the end of 1962-63.

### *Audit Report, 1965*

#### **Khadi and Village Industries Board, Punjab**

The Punjab Khadi and Village Industries Board was established in September, 1957 under Section 3 of the Punjab Khadi and Village Industries Board Act, 1955.

2. *Loans and grants.*—(a) The position of loans and grants received by the Board from the Commission during the years, 1962-63 and 1963-64 was as follows:—

	1962-63		1963-64	
	Loans	Grants	Loans	Grants
(In lakhs of rupees)				
(i) Receipts from Khadi Commission during the year	32·53	12·03	38·05	13·34
(ii) Disbursement during the year out of (i) above	21·70	8·03	18·70	6·12
(iii) Percentage of utilisation	66·71	66·75	49·14	45·88
(iv) Unspent balance refunded to Commission during the year	11·74	6·06	21·02	8·37
(v) Unspent balance with the Board at the close of the year (inclusive of previous years' balances)	13·12	4·80	7·64	5·90

(b) The disbursements to and recoveries from the societies (413 and 52 as on 31st March, 1963 and 31st March, 1964 respectively) of loans and grants were as follows:—



	1957-58		1961-62	
	Loans	Grants	Loans	Grants
(In lakhs of rupees)				
(i) Disbursements during the year	21.70	8.03	18.70	6.12
(ii) Disbursements upto the end of the year	68.06	31.17	86.76	37.29
(iii) Recoveries from societies	6.77	0.09	20.01	2.25

Utilisation certificates from 136 societies in respect of loans (Rs. 4.15 lakhs and grants Rs. 1.96 lakhs disbursed during 1957-58 to 1961-62) were available (till March 1963). The utilisation certificates of loans and grants disbursed after 1961-62 were also yet to be collected and verified in all cases.

(c) Loans (Rs. 2.40 lakhs) and grants (Rs. 1.15 lakhs) given to 57 societies during 1958-59 to 1963-64 were not properly utilised. Out of these loans (Rs. 1.96 lakhs) and grants (Rs. 1.10 lakhs) were outstanding on 31st March 1964 for recovery as shown below—

Serial No.	No. of societies	Amounts advanced		Amounts recoverable		Remarks
		Loans	Grants	Loans	Grants	
		Rs.	Rs.	Rs.	Rs.	
1	8	28,325	11,390	25,303	21,390	Members of societies were reported to have been involved in embezzlement and misappropriation cases in which resulted in the cessation of societies.
2	4	17,600	4,000	15,288	4,000	Whereabouts of members not known.
3	19	93,532	41,240	73,898	41,240	Societies were declared dormant having failed to repay instalments of loan on due dates.
4	13	48,670	27,890	36,853	22,610	Societies were reported to have misutilised loans and grants.
5	13	52,100	20,390	43,651	9,390	Societies did not start work or had ceased functioning.

(d) Repayments of Rs. 80,184 in respect of loans advanced during 1959-60 to 1963-64 were overdue in respect of 79 societies (other than defunct societies) as at the close of September, 1964.

(e) According to the terms of loans, the societies which failed to repay loans on the due dates were liable to pay additional interest at 5 per cent. Additional interest amounting to Rs. 14,059 was recoverable from 187 societies on delayed repayments of loans up to the 30th June, 1964. No recovery has been effected from the parties concerned (September, 1964).

3. *Centres run by the Board.*—As on 31st, 1964 there were 7 palm Gur, one Intensive Flaying, one Hand-made paper and 3 Fibre centres run by the Board. Final statement of accounts of the various centres "Industry-wise" were prepared for the first time, as on 31st March, 1964. Palm Gur industry sustained a net loss of Rs. 23,025 which was completely met out of the grant from the Board. Hand-made Paper Industry showed a deficit of Rs. 48,503, reasons for which had not been investigated. This was, however, mainly attributed to the low sale price as compared to the cost of production.

4. *Spinning and weaving centres.*—In November, 1959, the Board took over the State-owned spinning and weaving centres. The value of the net assets transferred which was to be treated as interest free loan was provisionally assessed at Rs. 9.46 lakhs and had not finally been determined (September, 1964).

## RAJASTHAN

### *Audit Report, 1964*

#### **The Rajasthan Khadi and Village Industries Board**

The Rajasthan Khadi and Village Industries Board was constituted on the 1st July, 1955 under sections of the Rajasthan Khadi and Village Industries Board Act, 1955.

*The rules for the maintenance of accounts and the forms for the presentation of annual statement of accounts have not so far been prescribed by the State Government as required under section 24 of the Act. The Board had, however, prepared the Trading, Profit and Loss Accounts and Balance sheets for the period ending March, 1962. The accounts for the year 1961-62 were made available to Audit in November, 1963 only and those for the year 1962-63 have not been furnished so far (November, 1963).*

The Board received from the Khadi and Village Industries Commission and the State Government the following grants and loans for carrying on its activities and for granting assistance to Co-operative Societies, Cottage Industries, etc:—

Year	Receipts				Disbursement				Refunds			
	Khadi and Village Industries Commission		State Government		Khadi and Village Industries Commission		State Government		Khadi and Village Industries Commission		State Government	
	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant	Loan	Grant
1955-56	7.15	3.20	..	..	1.90	0.31						
1956-57	17.55	12.57	..	2.74	10.83	7.85						
1957-58	9.86	6.95	..	3.02	9.40	7.49		1.64				
1958-59	6.71	11.08	0.20	3.80	10.10	6.91	0.20	1.97				
1959-60	24.61	3.84	..	4.57	13.08	8.86		3.27	6.19	2.00		
1960-61	1,03.25	19.04	0.50	3.81	53.38	8.56	0.50	4.07	0.95	1.97		
1961-62	68.62	28.05	.	4.01	19.74	9.97	.	3.50	4.92	0.13	.	0.31
1962-63	59.01	9.73	.	3.83	49.01	10.61	..	3.79	30.39	19.10	..	0.22
TOTAL	2,96.76	94.46	0.70	25.78	1,97.44	60.56	0.70	21.93	9.22	3.53	.	0.14
									41.67	26.73	..	2.75

(Lakhs of rupees)

326  
100

During the period from April, 1957 to March, 1963 1,050 societies and institutions received loans and/ or grants from the Board. Though under the rules the loanees/beneficiaries are required to send monthly progress reports regarding utilisation of loans and audited statement of accounts annually to the Board, these reports were not regularly received. No satisfactory arrangements exist in the Board for watching the receipt of the progress reports and audited accounts.

A test check conducted during August—October, 1960 revealed that 18 co-operative societies which received during the period from 1958-59 to 1960-61 loans and subsidies amounting to Rs. 1.33 lakhs are not functioning for over three years and 16 other societies which received during the year 1960 loans and subsidies amounting to Rs. 0.47 lakhs for starting gur industry have not utilised the amounts so far (February, 1964) although these were required to be utilised within a year of the payment.

Utilisation certificates have not been received upto the end of August, 1963 for loans and subsidies amounting to Rs. 52.51 lakhs and Rs. 10.22 lakhs respectively even though these were due by the 31st March, 1963. The periods to which the arrears relate are not available with the Board. Owing to the non-receipt of utilisation certificates from the borrowing institution the Board has not furnished utilisation certificates for loans and subsidies amounting to Rs. 84.64 lakhs received from the year 1955 onwards from the Commission and subsidies amounting to Rs. 3.69 lakhs received during 1962-63 from the State Government.

The recovery of loans by the Board is substantially in arrears. Against a sum of Rs. 65.26 lakhs due to be recovered by March, 1963, the actual recovery amounted only to Rs. 44.65 lakhs. The periods to which the arrears relate are not available with the Board.

The following other points were also noticed during local audit of the accounts of the Board conducted from August, 1962 to October, 1962:—

- (a) Out of subsidies totalling Rs. 62.852 distributed during the year 1961-62 for holding exhibitions, a grantee who received a sum of Rs. 8,000 did not hold any exhibition. The utilised subsidy has not been refunded so far (October, 1963).

- (b) In contravention of the standing instructions of the Board, the Managers of four Production Centres sold during the

year 1961-62 goods valued Rs 6.70 lakhs on credit. The Board has not intimated the recoveries made so far (December 1963).

- (c) Two embezzlements of cash (Rs 1,296) and stores (Rs 1,570) were noticed by the Board in August 1958 and July, 1962 respectively. In the former case criminal proceedings were launched and the cashier convicted, in the latter case the departmental and police investigations are reported to be in progress. Recovery of the loss has not been made in either case (November 1963).
- (d) A carding machine purchased in October, 1951 at a cost of Rs 3,000 for the Woollen Production Centre Bikaner had not been erected (December 1963), the delay was attributed to technical difficulties. An expenditure of Rs 9,215 was incurred during the year 1961-62 in carding wool through other agencies the expenditure incurred during the period from April 1962 to December 1963 has not been intimated (February 1964).

## RAJASTHAN

### Audit Report, 1965

#### The Rajasthan Khadi and Village Industries Board

(i) The Rajasthan Khadi and Village Industries Board continued during 1963-64 its activities relating to the implementation of the development programme specified in the Rajasthan Khadi and Village Industries Board 1955.

(ii) A summary of the Board's receipts and payments, during 1962-63 is given in the appendix X.

(iii) (a) According to the instructions issued by the All India Khadi and Village Industries Commission in November, 1961 and subsequently reiterated in July, 1964 any interest earned by the Board on the funds advanced to it before they are disbursed to the institutions societies etc. was required to be passed on to the Commission. The Board has not passed on so far (October 1964) to the Commission any portion of interest amounting to Rs 8.22 lakhs earned by it during the period April 1961 to September 1964.

(b) The position regarding non receipt of utilisation certificates is detailed below —

Year in which disbursed	Amount disbursed	Last date by which the utilisation certificates were to be furnished	Amount for which utilisation certificates not received upto July, 1964
	(In lakhs of rupees)	(In lakhs of rupees)	
1961-62 and earlier years	Loans 148.43 Grants 49.95	March, 1963	26.03 7.20
1962-63	Loans 49.21 Grants 6.41	March, 1964	42.04 5.84

Owing to the non-receipt of the utilisation certificates from the borrowing institutions the Board has not furnished (July, 1964) utilisation certificates for loans (Rs. 38.42 lakhs) and grants (Rs. 34.35 lakhs) amounting to Rs. 72.77 lakhs received from the Commission during the period April, 1955 to March, 1963 and grants amounting to Rs. 8.88 lakhs received during 1963-64, from the State Government.

Out of a sum of Rs. 18.31 lakhs (loan Rs. 12.66 lakhs and grant Rs. 5.65 lakhs) not utilised by 870 institutions up to November, 1963 only a sum of Rs. 6.12 lakhs, (loan Rs. 5.37 lakhs and grant Rs. 0.75 lakh) had been refunded till then.

(c) Repayment of loans advanced by the Board, to the extent of Rs. 26.59 lakhs, was overdue on the 31st March, 1964 (as against Rs. 20.61 lakhs as on the 31st March, 1963).

(iv) The Board disbursed, during July, 1956 and June, 1957, loans and grants amounting to Rs. 28,020 to the Hadoti Khadi Gramodyog Sangh, Baran, for starting leather industry. The money was to be utilised by June, 1958, but up to September, 1962 the Sangh had only constructed a building at a cost of Rs. 14,000. The industry has not been started so far (August, 1964).

(v) Thirteen co-operative societies and two other institutions which received financial assistance amounting to Rs. 2.70 lakhs (loan Rs. 1.54 lakhs and grant Rs. 1.16 lakhs) from the Board during the period 1955-56 to 1961-62 for starting village industries were reported to be dormant; four of the co-operative societies have not furnished (for over 1.7 years) utilisation certificates for a sum of Rs. 0.53 lakh. On the 31st March, 1964 loans totalling Rs. 1.20 lakhs which had fallen due for repayment till then were pending recovery from these institutions.

(vi) On the 12th September 1962 the Board advanced a sum of Rs 13 600 to the Gramodhog Mandal Ajmer for holding (in October-November 1962) 4 exhibitions the Mandal is reported to have held only one exhibition (grant admissible Rs 800) A sum of Rs 6 833 out of the unutilised amount of Rs 12 800, is reported to have been recovered so far (December, 1964)

(vii) A paper plant (cost Rs 13,150) purchased in July, 1962 for the Training-cum Production centre Sanganer, has not been installed (July, 1964) owing to non-completion of building

(viii) In June 1962 the charkha with four spindles was replaced by a charkha with six spindles Surplus spare parts of the charkha with four spindles (value Rs 30 420) lying in the Saranjam Karya laya Jaipur have not been disposed of (January, 1964)

(ix) Under the scheme to manufacture soap from non-edible vegetable oils twelve schools received grants aggregating Rs 6 000 Eight schools are reported to have not utilised the assistance nor refunded the amount (October 1964) four other schools which are reported to have purchased stores and equipment have not started the industry

## APPENDIX XXXIV

(See para 3.11)

*Extracts from 47th Report of PAC 1965-66*

*Kerala Khadi and Village Industries Board, para 79, pages 97-99,  
(Audit Report, 1965).*

(i) *Utilisation of loans and grants.—*

6.113. The Board received grants and loans aggregating Rs. 28.27 lakhs and Rs. 2.38 lakhs respectively from the State Government upto the end of March, 1964; but utilisation certificates of grants and loans aggregating Rs. 6.65 lakhs and Rs. 2.25 lakhs respectively have not been furnished to Audit (October, 1964). Year-wise details of these cases are furnished below:—

Period of payment	Grant	Loan
	(In lakhs of rupees)	
1957-60 . . . . .	5.29	0.57
1960-61 . . . . .	0.48	..
1961-62 . . . . .	0.31	0.22
1962-63 . . . . .	0.27	0.70
1963-64 . . . . .	0.30	0.76
TOTAL . . . . .	6.65	2.25

6.114. The Committee referred to the recommendation contained in the Report of the State Public Accounts Committee (1963-64) and desired to know whether a final decision in regard to the question of amending the Act to include a provision for placing a separate Audit Report before the Legislature had been taken. The Secretary informed the Committee that the final decision had not yet been taken and the matter was still under consideration. The Secretary, Kerala Khadi and Village Industries Board added that the amendments were proposed to the State Government. In the meanwhile, a model Act was suggested by the All India Khadi and Village Indus-



tries Commission incorporating therein all the amendments and these had been sent to State Government. The Board had already agreed to the amendments. The Secretary stated that there should be no difficulty in placing the Audit Report on the Table of the House.

6115 From the notes (Appendix XLVII) furnished at the instance of the Committee, it is seen that the question of placing the Audit Report on the Table of the Legislature is still being considered by the Government. They regret to note that the recommendation of the State Public Accounts Committee has not been implemented so far. They desire that immediate action should be taken in that direction.

6116 The Committee drew the attention of the witness to the Table in the Audit Report and desired to know the action taken to clear the old outstandings particularly in regard to the amounts drawn prior to 1952-53. The witness stated that out of a sum of Rs 5.29 lakhs that was received from the State Government during 1957-60 utilisation certificates for an amount of Rs 3.75 lakhs had already been furnished. Utilisation certificates for an amount of Rs 1.53 lakhs were yet to be furnished.

6117 In answer to a question the witness stated that the State Board came into existence only on 1st August 1957. Before that all the schemes of Khadi and Village Industries were sanctioned by the Industries Department. In 1957-58 all the balance that was remaining with the Industries Department was transferred to the State Board. That amount was Rs 5.29 lakhs grant and Rs 70,000 loan.

6118 The Committee suggest that vigorous steps should be taken to clear the old outstandings relating to all these previous years.

6119 The Committee desired to know the ratio between the grant and the loan. The witness stated that it was according to the approval pattern of the Khadi Commission. The Secretary further added that the State Government had carried two obligations. They had paid the expenditure on staff and there were also four items of small industries which did not find a place under the Khadi scheme. These schemes were being looked after through the funds that were provided by the State by way of loan and a small part of the grant. The Joint Secretary, Ministry of Finance, Government of India informed the Committee that the loans and grants would vary according to the different schemes and also according to the performance and progress. Cost of certain items like establishment was entirely

borne by the State Government and that went as a grant. In reply to a question, the witness stated that loans could be more than grants.

6.120. The Committee desired to know whether the financial position of the institutions was taken into consideration before the grants and loans were given. The Secretary, Kerala Khadi and Village Industries Board informed the Committee that the main portion of the grant was for administrative expenses. While distributing loans and grants to Societies their financial position was taken into consideration. On being asked about the break-up in regard to the portion relating to expenses on administration, the witness stated that under the Third Five Year Plan grant that was provided for expenses on administration in the State budget was Rs. 30 lakhs and Rs. 10 lakhs for financing co-operative Societies. In regard to co-operative societies the Finance Secretary stated that managerial assistance was provided as grant and Rs. 10,000 was provided as loan for working expenses. On being asked about the basis laid down for advancing loans, the witness stated that there was difference in the pattern of assistance for each scheme. The total amount was worked out on the basis of the amount for each scheme.

6.121. The Committee desired to know as to how it was ensured by the Finance Department that the grants and loans that were sanctioned were properly utilised by the Board. The Finance Secretary informed the Committee that the Board had to prepare its budget and send it on to Government. After the expenditure was incurred, the Board had to send the utilisation certificates and the grant was regulated on that pattern.

6.122. The Committee desired to be furnished with a note indicating the total amount of grants received by the Board from the Khadi and Village Industries Commission and from the State Government during 1963-64 and 1964-65, the figures of expenditure, production-targets and achievements and the number of schemes involved during these two years. The note has since been furnished and is at Appendix XLVII.

6.123. It is seen from the Statements I and II to the Appendix XLVII that the following loans and grants were received by the State Board during the years 1963-64 and 1964-65 for the various schemes

from the Khadi and Village Industries Commission and the State Government

*Khadi and Village Industries Commission*

Year	Loan	Grant
1963-64	Rs 46.26 lakhs	Rs 26.96 lakhs
1964-65	Rs 26.06 lakhs	Rs 17.85 lakhs

*State Government*

Year	Loan	Grant
1963-64	Rs 0.76 lakhs	Rs 4.94 lakhs
1964-65	Rs 0.58 lakhs	Rs 4.88 lakhs

6.124 The above figures indicate that the quantum of assistance received from the State Govt is very much less, when compared to the quantum received from the Khadi and Village Industries Commission.

6.125 It is also seen from the statements that the target of production fixed in respect of village oil for the years 1963-64 and 1964-65 was Rs 100 lakhs and Rs. 116 lakhs respectively and the corresponding production during the years was Rs 61.22 lakhs and Rs 80.91 lakhs respectively.

6.126. The Committee hope that efforts would be made to achieve the targets of production fixed in respect of various schemes

6.127 The Committee would also like the Finance Department to ensure that further loans and grants are given after they are satisfied about the proper utilisation of the sums granted earlier

(u) Non utilisation or misutilisation of assistance given by the Board.—

6.128 As part of its activities the Board extends financial assistance in the shape of loans and grants to co-operative societies and other institutions. Upto the end of March, 1964, the Board had received loans and grants aggregating Rs 2,23.86 lakhs from the Khadi and Village Industries Commission, out of which financial

assistance was rendered to 1,222 institutions. The following points were noticed in Audit:—

(a) *Non-execution of agreements.*—No agreements to utilise the assistance on the objects for which it is given, have been executed with any of the beneficiaries. The Board stated (October, 1964) that steps were under way to have agreements executed.

(b) *Funds locked up in banks.*—A sum of Rs. 1.76 lakhs (Grants: Rs. 0.54 lakh and loan: Rs. 1.22 lakhs) given to 16 institutions during December, 1959 to November, 1962 is still remaining unutilised. This includes Rs. 47,000 (Grants: Rs. 19,500 and loan: Rs. 27,500) given in April, 1962 to Kaniampuram clay workers Co-operative Society, Ottappalam, for a glazed Pottery Unit, the formation of which was reported to have been abandoned in December, 1963.

(c) *Misutilisation of assistance.*—Assistance amounting to Rs. 1.28 lakhs by way of loans and grants given to 12 institutions during periods prior to March, 1964 was utilised for purposes other than those for which it was given.

(d) 324 of these institutions which received loans and grants aggregating Rs. 12.04 lakhs are now defunct (October, 1964).

6.129. The Committee desired to know as to why amounts were paid to institutions without the execution of agreements. The Secretary, Kerala Khadi and Village Industries Board informed the Committee that the agreements were executed by all the recipient societies in the form in which it was originally prescribed by the Khadi Commission. According to the subsequent instructions of the Khadi Commission, a separate hypothecation deed had to be obtained from all these institutions. The Board was taking steps to get all the hypothecation deeds executed and this work was expected to be completed by the end of December. On being asked whether the question of obtaining sureties had been considered to ensure prompt recovery of the loans, the witness stated that according to the bye-laws the President and the Members were responsible for repayment of the loan. He added that at every stage there was a check to ensure proper utilisation of the amount.

6.130. The Committee desired to know whether any action was taken in cases of diversion of the financial assistance. The witness stated that in four cases the amount had been recovered in full. On being asked about the amount that was involved in these four cases and the amount involved in the other 8 cases, the witness stated that a sum of Rs. 41,500 under loan and Rs. 30,000 under grant had been recovered from the four institutions. In respect of the balance, Board was taking action to see that the assistance was not locked up in the bank.

6.131 The Committee desired to know the action taken in regard to the 324 institutions which had received loans and grants aggregating Rs 12.04 lakhs and which had now become defunct. The witness stated that out of 324 institutions loans and grants from 45 institutions had been completely recovered. The amount outstanding now was Rs 10.14 lakhs. On being asked about the break up of loans and grants the witness stated that out of Rs 12.04 lakhs, Rs. 7.74 lakhs were loans and the balance was the grant. In reply to a question the witness stated that initially there was some difficulty.

6.132. In reply to a question in regard to the 1,222 institutions mentioned in the Audit Report the witness stated that out of 1,222 institutions nearly 1,000 were constituted under the co-operative Societies Act while the remaining were under the Charitable Societies Act. A monthly performance report in respect of societies was received and on an average 800 to 900 reports were received.

6.133 The Committee suggest that further assistance to the institutions should be stopped immediately in the event of any diversion of funds for purposes other than those for which the assistance is given. Strict watch should also be kept over the institutions in whom assistance was given to see that they are functioning properly.

6.134 From the note (Appendix XLVIII), furnished at the instance of the Committee it is seen that the 324 institutions became defunct during the period from 1958 to 1963. Loans and grants from only 45 institutions have been recovered so far and the amount of Rs. 10.14 lakhs is still outstanding. They hope that early steps would be taken to realise the outstanding amounts.

#### (iv) Unaccounted goods

6.135 Khadi goods costing Rs 0.96 lakhs acquired by the Board for the Khadi and Village Industries Exhibition held at Trivandrum in October 1958 are to be accounted for (October 1964). Certain officials who were in charge of the exhibition were held responsible for the loss in July 1967 but the loss has not been made good (October 1964). The Board has not (October 1964) brought this to the notice of the State Government or of the Khadi Commission.

6.136 The Secretary Kerala Khadi and Village Industries Board informed the Committee during the course of evidence that after the Khadi and Village Industries Exhibition held in Trivandrum in October 1958 was over a Central godown was opened and the goods were transferred to that godown. There were certain invoices which

were not properly acknowledged by the persons who were in the office at that time. On being asked about the action taken against the persons responsible, the witness stated that the explanation from the persons concerned had been received. The explanation was being scrutinised and a decision would be arrived at. On being asked about the amount of loss, the witness stated that the Audit was now being conducted to assess the exact amount of loss. When the Committee pointed out that the exhibition was held in 1958 and no action had been taken so far to ascertain the actual loss the witness stated that somehow it had not been done.

6.137. The Committee drew the attention of the witness to the inspection report of the Accountant General for the year 1963-64 and pointed out that according to the report further action had been dropped because the persons concerned did not reply. The witness informed the Committee that further action had not been dropped. There was further inspection of the accounts by the time the explanations were called for. It was thought that unless the entire accounts were audited, the Board would not be able to fix the responsibility. The witness added that the case was being pursued and the Board was trying to find out the exact amount of loss to fix responsibility on those responsible.

6.138. The Committee desired to know as to why the loss was not brought to the notice of the State Government or the Khadi Commission. The witness stated that the Government and the Khadi Commission were not informed in 1958. Now the Government and the Khadi Commission had been apprised of the case. On being asked as to why action was not taken to inform the authorities till October, 1964, the witness stated that the impression till October, 1964 was that the estimated deficit was Rs. 10,000. Action was taken and the matter was also before the Board.

6.139. The Committee desired to know whether or not the Finance Deptt. took serious notice of the fact that even irregularities were not reported to the Government by the Board. The Finance Secretary informed the Committee that since the case was brought to the notice of the Finance Deptt., the Deptt. would take a serious notice of the case and action would be taken against the persons responsible. In reply to a question, the Secretary, Industries Deptt. informed the Committee that the Board had proposed to address the State Government separately on this subject and that report was still awaited. He added that in the light of the discussion, which had taken place during the course of the examination of this Audit para, the Deptt. would immediately initiate action without awaiting

the report from the Board so that a thorough examination of the whole case was done and suitable action taken as early as possible

6140 The Committee regret to point out that there was inordinate delay on the part of the Board in assessing the loss in this case. It is only now that audit is being conducted to assess the loss relating to the period of 1958

6141 The Committee are further surprised to note that no action was taken by the Board to inform either the Government or the Khadi Commission till October 1964 for which it appears no serious notice has been taken by the Industries Department or the Finance Department. They suggest that early action should be taken against the persons responsible for the loss and a report submitted to the Public Accounts Committee

(v) *Loss of stores in Khadi Gramodyog Bhavans*

6142 The Board maintains 9 Khadi Gramodyog Bhavans one in each District of the State for propagating Khadi and Village Industries. Saleable articles like handicrafts and village industries products costing about Rs 30 000 purchased prior to 1958 are remaining unsold in these Bhavans (October 1964). In the Bhavan at Trivandrum Khadi goods costing Rs 47 934 were reported to be missing (July 1963). The Manager of the Bhavan was placed under suspension in May 1963 an enquiry is reported to be in progress (October 1964)

6143 The Committee desired to know whether the enquiry about the missing Khadi goods against the Manager Khadi Gramodyog Bhavan Trivandrum had been completed. The Secretary stated that the enquiry had been completed and steps were being taken to prosecute the manager. In regard to the amount of Rs 47 934 the witness stated that according to the usual procedure if there was any excess in similar or near similar varieties these would be adjusted towards deficits in these varieties. The actual amount might be about Rs 18 000. In reply to another question about fixing of responsibility the witness stated that the amounts paid by some parties through money order were not brought into account. There were also certain credit sales made to certain bogus persons who were not in existence at all. On being asked about the quantum of work in the Bhavan where only a manager was appointed the witness stated that the Bhavan was a small unit with a stock worth about Rs 50 000 to Rs 60 000 at a time and the loss had occurred in the course of four or five years. Apart from the Manager there was only a boy Assistant at that time in the Bhavan.

6.144. The Committee hope that early action would be taken against the Manager of the Bhavan.

6.145. The Committee would also like the Board to devise a procedure whereby such cases of defalcations do not remain undetected for a long period of time.

(viii) *Payees' acknowledgements not made available to audit:*

6.146. In 1963-64 payees' acknowledgements in 404 cases for Rs. 21,52,295 were not made available for scrutiny during local audit. Payees' acknowledgements in respect of 74 cases for Rs. 4,11,489 relating to 1961-62 and 144 cases for Rs. 11,82,789 out of 154 cases for Rs. 14,49,297 relating to 1962-63 mentioned in paragraph 65, page 86 of the Audit Report, 1964 were still not made available (October, 1964).

6.147. The Committee desired to know the steps taken by the Board to obtain the acknowledgements. The Secretary, Kerala Khadi and Village Industries Board stated that the Board had collected some acknowledgements and subsequently many items had also been shown to audit. In reply to a question, the witness stated that the stamped receipt received was kept in the loan file. The payees' receipt was the formal receipt sent by the institution from their printed receipt book.

6.148. The Committee would like to point out that the absence of payees' receipts is fraught with financial risks. They, therefore, suggest that steps should be taken to obtain proper receipts promptly from the institutions concerned, invariably in all cases.



## APPENDIX XXX

(See Para 323)

### Audit Report 1961 (Gujarat) Gujarat Rajya Khadi and Gramodyog Board

Point No. 12 —It has been stated in the Audit Para that a sum of Rs 49,361 (out of a grant of Rs 1.65 lakhs) being the unspent amount of assistance received by the Vidyalaya in Ahmedabad (which closed down in 1961) has not been refunded to the Commission so far (October 1963).

How much money out of Rs 1.73 lakhs was actually spent and how much refunded?

Reply —Against the grant of Rs 1,72,500/ the expenditure incurred by the Gujarat Rajya Khadi and Gramodyog Board on the Vidyalaya was Rs 23,402. The unspent balance of Rs 1,49,348 was refunded by the State Board to the Commission as under —

Amount	Date of refund
Rs 1,00,000	16-1-1962
Rs 42,028	21-3-1964
Rs 730	30-9-1964
<u>Rs 1,49,348</u>	

# APPENDIX XXXVI

(See Para 4.1, 5.3)

(ANNEXURE 'G' to the Accounts of KIVC)

*Statement showing the Details of Loans paid to the Institutions and Recoveries made during the year 1963-64*

Sl. No.	Particulars	Balance as on 1-4-1963 Rs.	Payment during 1963-64 Rs.	Recovered during 1963-64 Rs.	Balance as on 31-3-1964 Rs.
1	2	3	4	5	6
<i>I. Traditional Khadi :</i>					
	(a) Working Capital for production and Sale of Khadi	20,72,53,404	4,61,14,528	2,85,82,394	22,47,85,538
	(b) Construction of Godowns under Intensive area	1,12,584	42,500	76,898	78,186
	(c) Purchase of Opening and Carding Machines	1,30,175	95,000	59,175	1,66,000
	(d) Construction of Common Workshops for Wool Weavers	5,13,657	1,53,500	34,950	6,32,225
	(e) Cotton / Wool Cocoon Purchase / Dyes and Chemicals	5,70,78,815	3,71,55,857	3,22,99,187	6,19,35,485
	(f) Construction of Building for Bhavans etc.	15,00,000	..	..	15,00,000
	(g) For production of Silk Khadi	24,275	..	..	24,275
	<b>TOTAL</b>	<b>26,66,12,928</b>	<b>8,35,61,385</b>	<b>6,10,52,604</b>	<b>28,91,21,709</b>

1	2	3	4	5	6
<i>II Ambar Charkha Programme</i>					
(a) Hire Purchase	1,93,66 599	22,27,470	63,15,909	1,52,78,160	
(b) Working Capital for production of Sale of Ambar/Yarn Cloth	4 58 30,811	6,40,050	55,66,875	4,09,03,986	
(c) Working Capital for Manufacture of A C sets and small Saranjan Karyalayas	41,05 200	45,500	4,26,403	37,24,297	
(d) Construction of Godowns	37,16,258	10,96 016	3,51,103	44,61,171	
(e) Non recurring expenditure for establishment of finishing centres	18,17,017	2,66,818	1,92,808	18,91,027	
(f) Share Capital formation	28,70 517	4,77,525	5,24,094	28,24,248	
(g) Renovation of Charkhas	18,200	3,99,880		4,18,080	
(h) Setting up of Kilns	28,975		8,400	20,575	
(i) Model Production Centres	4 92,594	1,27,500	40,585	5,79 505	
TOTAL	7,82,46,471	52 80,759	1,34 26 177	7,01,01,053	

*III Advances to State Boards*

1,40,000

1,40 000

*GRAND TOTAL*

34,48,59,399	8,89,82,144	7,44,78,781	35,93,62,762
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*Village Industries*

1 Bee-keeping	7,95,024	4,42,125	1 69,715	10,67,434
2 Cottage Match	15,46,215	3,29,650	1,39,984	17,35,881
3 Village Pottery	81,31,189	22,42,229	11,94,138	91,79,280
4 Soap	1,63,97,712	36,82,612	43,29 855	1,57,50,469
5 Leather	1,28,57,244	33,00,700	19,68,210	1,41,89,734

1	2	3	4	5	6
6. Ghani Oil		3,89,33,647	1,21,53,835	1,29,16,542	3,81,70,940
7. Handmade Paper		77,58,248	12,42,026	13,42,701	76,57,573
8. Gur & Khandsari		93,32,964	29,23,672	11,80,023	1,10,76,613
9. Palm Gur		99,19,925	93,01,974	32,80,635	1,59,41,264
10. Handpounding of rice & Atta Chakki		2,37,13,970	95,55,123	56,01,343	2,67,67,750
11. Intensive Area Scheme		6,64,687	..	84,628	5,80,059
12. Fibre		19,00,509	14,02,701	5,88,336	27,14,874
13. Gramodyog Sales Depot		12,36,962	3,26,200	2,39,332	13,23,830
14. Carpentry & Blacksmithy		1,13,583	2,38,500	1,63,481	11,88,602
15. Lime Manufac- turing		2,35,500	3,69,500	32,362	5,72,638
16. Construction of Gas Plant		1,48,380	1,78,962	9,252	3,18,090
17. Share Capital		20,000	..	..	20,000
18. Advances to State Boards		..	4,25,000	..	4,25,000
TOTAL		13,47,05,759	4,81,14,809	3,32,40,537	14,95,80,031

# APPENDIX XXXVII

(See Para 47)

It has been stated in reply to question that 18 Co-op. Societies and Institutions financed by the Commission from whom confirmation of balances was due have stopped functioning

How many such societies and Institutions which received assistance from the Commission and those which received assistance from the State Boards (to be indicated separately) became defunct before March 1965 and from what date?

Reply—A statement showing the societies|Institutions which received assistance from the Commission and have not confirmed the loan balances as on 31-3-64 but ceased functioning before March 65 is enclosed. The year in which they have been treated as defunct etc., for the purpose of taking action, legal where necessary, is indicated against each

Similar information in respect of the societies|Institutions which received assistance from the State Boards has been called for and will be furnished on receipt

*Statement showing the institutions which are treated as Defunct etc from which Confirmation of balances as on 31-3-64 not received before 3/65*

## A Khadi

Sl. No	Name of the Institution	Year in which treated as defunct etc.
1	2	3
1	Rajasthan Seva Sangh, Dungarpur (L)	
2	Bhopal Rajva Khadi Gramodyog Sangh, Sehore (L)	1963-64
3	Vishvamitra Gramodyog Sangh, Chaddi (L)	1959-60
4	Punjab Khadi Seva Sangh, Kapurthala (L)	1960-61
		1960-61

1	2	3
5.	Rehbar Co-op. Industries Ltd., New Delhi (L)	1959-60 1960-61
6.	Himachal Pradesh Co-op. Khadi & Gramodyog Mandal Ltd., Simla (L)	1959-60
7.	Saghan Kshetra Vikas Samiti, Haveli, Khargapur (Bihar) (D)	1963-64
8.	Tripura Khadi Gramodyog Samiti, Agartala (D)	1960-61
9.	Bukhya Saghan Kshetra Samiti, Banswara (D)	1961-62
10.	Kshetra Vikas Samiti, Murud (L)	1963-64
11.	Amar Bharati Chandrabeni (L)	1963-64
12.	Sarvodaya Sangh, Nizamabad (L)	1964-65
13.	Gramodyog Samiti, Kurdwadi (L)	1964-65
14.	Garudeshwar Saghan Kshetra Samiti, Zariawadi (D)	1960-61
15.	Hansa Khadi Gramodyog Saghan Kshetra Samiti Hansa (D)	1960-61
16.	Titil Intensive Area Dev. Society Tiril (D)	1959-60

*B. Village Industries*

Sl. No.	Names of the Institutions/Society	Year in which treated as defunct etc.
1	Sharifgarh Displaced Persons and Widows M.P. Coop. Industrial Sc. Ltd., Karnal (S. Punjab)	1959-60
2	The S. Travancore Palmgur Central Coop. So. Ltd., Kuzhithura, Madras	1959-60
3	Gaurishankar Multipurpose Coop. So. Ltd., Baragarh, Orissa-9	1959-60
4	Uma Agricultural Dairy Farm Coop. So. Barangarh	1959-60
5	Shapura Bahdhandhi Sahakari Samiti Ltd., Shahapura, Jaipur	1959-60
6	Mandivi Harijan Gramodyog Sah. Mandali Ltd., Mandvi, Kutch, Gujarat	1959-60
7	Tanners Coop. Socy, Vadgaon, Kolhapur, Maharashtra	1959-60
8	Shri Chamunda Multipurpose Coop. So. Ltd., Rambha Dt. Ganjam, Orissa	1960-61
9	Kaltunga Multipurpose Coop. So. Ltd., Gongna, Dt. Cuttack, Orissa	1961-62
10	Mangalam Chakky Oil Producers Coop. Cottage Ind. So. Ltd., Madras	1960-61

Sl No	Name of the Institutions Society	Year in which treated as defunct etc
11	Karnal Oil Mill's Coop Socy, Malerkotla, Punjab	1960-61
12	Kurilawapur M P Coop Socy, Ekanpur Sarai, Bihar	1960-61
13	Gaurabnagar M P Coop Socy, Gaurabnagar, Bihar	1960-61
14	Punjab Khadi Gramodyog Samiti, Ambala Cantt, I	1960-61
15	Jiyaguda Tanners Coop Socy, Jiyaguda, Hyderabad	1960-61
16	Madhya Bharat Collective Farming Assn Guna, M P	1960-61
17	Harpurandig Coop So Ltd, Sheshadripuram, Bangalore	1951-62
18	Gramodyog Khadi Samiti, Vallabgram, Rajasthan	1961-62
19	Thattumakkham Regional Coop Socy, Alwaye, Kerala	1961-62
20	Consumers Coop Socy, Boran, Kotan, Rajasthan	1961-62
21	Najibabad Tel Udyog Sah Samiti, Najibabad UP	1961-62
22	Tel Ghani Udyog Sah Samiti, Dhanpur, Bijnor UP	1960-61
23	Gramin Tel Udyog Sah Samiti, Basta, UP	1961-62
24	Tel Udyog Sah Samiti Ltd, Chandpur UP	1960-61
25	Oil crushing Coop So, Mangal Takram, Delhi	1961-62
26	Samaj Kalyan, K.P Road, Niketan, Lucknow	1960-61
27	Kshetra Vikas Samiti, Buchar, Shadal, M.P	1960-61
28	Brahmpur Thambathong Oil crushing Coop So Ltd, Imphal, Manipur	1961-62
29	Poonja Harjan Uplift Socy, Poonja	1961-62
30	Banswara Jilla Seva Sangh, Raj	1961-62
31	Chamaskar Sahakari Sabha Ltd, Borwani	1960-61
32	Khadi Gramodyog Kshetra Samiti, Feteheganj	1960-61
33	Vindya Khadi & V I Assn, Rewa MP	1960-61
34	Bhopal, Rajja K G S Bhopal	1960-61
35	Sarvodaya Khadi Yarn Svecchik Samaj Kalyankari Santha, Mirzapur	1962-63
36	Amar Bharati Chandrabani Dehara Dun UP	1963-64
37	Gram Kutri Udyog Sah Samiti Ltd, Sihana, I.Dr	1963-64
38	Manjeri Gramodaya Khadi Sangh, Manjeri, Kerala	1963-64
39	Naduvallore Gramodaya Khadi Sangh, Kakkur, Kerala	1963-64
40	Pulp making Unit, Vennar Bank, Tanjore, Madras	1963-64
41	Madras Cottage & V I Socy, Rayapuram, Madras	1963-64
42	Gramodyog Sah Sabha Bund, MP	1963-64

## Names of the Institutions/Society

Year in  
which  
treated as  
defunct  
etc

43	Travancore Palmgur Products Vyavasayak Coop. Socy., Mankad, Dt. Kanyakumari	1963—64
44	Paschim Banga Ghani Shilpa Samabaya Mahansangh Ltd.	1963—64
45	Krishngar Coop., H.P.R. Prodn. and sale Socy., Ltd., Rajmundry	1963—64
46	G. & K. Gram Udyog Sah. Samiti Ltd., Daknone, Dt. Bareilly	1963—64
47	Collective Coop. Farming So. Ltd., Dt. Balaghar, MP.	1963—64
48	Gopichand Nagri Gram Seva Trust Dhakaphal Tal Paithan, Dt. Aurangabad	1963—64
49	Keral Paper Institute, Trivandrum	1964—65
50	Kotwalwadi Gram Seva Sangh, Neral	1964—65
51	Telegaon Tapu Gram Seva Samiti, Telegaon	1964—65
52	Gramodyog Samiti, Kurudwadi	1964—65
53	Baina Kolhuna M.P. Coop. Socy., Ltd., Musaffarpur	1964—65
54	Poolampadi Oil Producers Coop. Socy. Ltd., Poolampadi.	1964—65
55	Jayabharathi Ghani Oil Producers and Sales Coop. So. Ltd., Eluru	1964—65
56	Kanakadurya Ghani Oil Production and Sale Coop. So. Ltd.	1964—65
57	Saghan Kshetra Vikas Samiti Dhanaure, Dist. Moradabad U.P.	1962—63



## APPENDIX XXVIII

(See Para 442)

Audit Report, 1934 (Bihar)—Bihar Khadi & V I Board

It has been stated in the Audit para that Government explained in January 1964, that according to the existing provisions of the Act the implementation of these schemes (Fibre Industry and Blacksmithy and Carpentry) was not within the scope of the Board and that funds were obtained by the Board from the Commission, in anticipation of an amendment to the Act which had not materialised till then

A note explaining how this happened may be furnished.

Reply—The Commission released the following funds to the Bihar State Khadi & Village Industries Board for Fibre and Blacksmithy and Carpentry Industries prior to 21-7-1964 in accordance with Section 2(h) of the Khadi & V I Commission Act, 1956

1 Fibre Industry	Rs 1,38,660 00
2 Carpentry & Blacksmithy	Rs 63,500 00
TOTAL	Rs <u>2,02,160 00</u>

It was subsequently found that these two industries were not included in the Bihar State Khadi & V I Board Act (Bihar Act XIV of 1956). The industries were included in the Bihar Khadi & V I Act by Government Notification No 11159 dated 21-7-64 (copy enclosed). When the funds were released, the absence of the provision in the Bihar State Board Act for the implementation of these two industries in question was not noticed. The question of giving retrospective effect to the Government of Bihar Notification dated 21-7-64 above will now be taken up with the Bihar State Government. The competence of the respective State Boards to implement the schemes under the various industries, will be examined while considering the demands of the State Boards in future.

## GOVERNMENT OF BIHAR

DEPARTMENT OF INDUSTRIES & TECHNICAL EDUCATION  
NOTIFICATION

In accordance with the authority vested in the State Government under Section 2(d) of the Bihar Khadi & Village Industries Act (Bihar Act XIV of 1956), the State Government are hereby pleased to notify that the undermentioned village industries be added to the list of industries given in the schedule to the aforesaid Act:

12. Fibre Industry.

13. Manufacture and use of Manure and Methane Gas from Cowdung and other waste products.

14. Lime stone and its products (excluding cement).

15. Blacksmithy.

16. Carpentry.

By order of the Governor of Bihar.

(Sd.) R. T. SINGH  
Secretary to Government.

Notification No. 11159

Dated, Patna, the 21st July, 1964.

Copy forwarded to the Chief Executive Officer, Bihar State Khadi & Village Industries Board, Boring Road, Patna for information with reference to his letter No. 2922 dated the 26th July, 1963.

(Sd.) ILLEGIBLE.  
Secretary to Government.

## APPENDIX XXXIX

(See Para 5 7)

*Annual account of Khadi and Village Industries Commission for 1963-64. Annexure G page 8 Item 11(d) construction of Godolms*

What is the total amount spent so far by the Commission separately under Khadi and Village Industries' on the construction of Godowns? Year-wise expenditure under both heads may also be indicated

**Reply** The total amount disbursed so far by the Commission on construction of godowns is given below

Year	KHADI			VILLAGE INDUSTRIES			Grand Total
	Grant	Loan	Total	Grant	Loan	Total	
1954-55	1.20	0.65	1.85				
1955-56	2.00	1.00	3.00				
1956-57	1.40	0.75	2.15				
1957-58	1.25	17.93	19.18	0.35	0.25	0.60	
1958-59	4.33	9.93	14.26		2.02	2.02	
1959-60	11.83	6.52	18.35	0.30	1.20	1.50	
1960-61	9.28	8.74	18.02	0.97	3.39	4.36	

1961-62	.	.	.	.	8.31	3.51	11.82	2.30	4.22	6.52
1962-63	.	.	.	.	9.40	8.15	17.55	6.27	8.48	14.75
1963-64	.	.	.	.	10.34	11.39	21.73	4.38	5.38	9.76
1964-65	.	.	.	.	4.53	6.95	11.48	1.84	1.21	3.05
TOTAL RS.					63.87	75.52	139.39	16.41	26.15	42.56
										181.95

## APPENDIX XL

(See Para 5 47)

Point No 5 —A note explaining item 7 in table 3 of the annual Report 1964-65 and reconciling the figures with the statement made in para 3 15 of the Report.

Reply —Item No 7 of Table 3 on page 35 of the Annual Report of the Khadi and Village Industries Commission for 1964-65 indicates increase in the percentage of grants to production in 1963 64 as compared to 1962-63

The increase in grants in 1963-64 mainly occurred under the following schemes

- (i) Khadi—Rebate and Subsidies
- (ii) Training
- (iii) Integrated Development Programme
- (iv) Hill and Border Area Programme
- (v) Establishment grant to State Boards

Between 1962-63 and 1963-64, sales of Khadi increased from Rs 20.37 crores to Rs 22.58 crores or by about 10 per cent Besides, in view of the introduction of Free Weaving Scheme from 1st of April, 1964 as many rebate and subsidy claims as possible for the year 1963-64 and the past had to be cleared during 1963 64 This resulted in the increase of about Rs 30 lakhs in expenditure on rebates and subsidies during 1963-64

Expenditure on the training of spinners on the Ambar Charkha increased from Rs 14.40 lakhs in 1962-63 to Rs 40.02 lakhs in 1963-64 owing to the enhancement of the period of training and refresher courses on Ambar Charkha renovated or converted from 4 spindles to 6 spindles

3 Owing to increase in the number of Gram Ekal Units from 566 (1962 63) to 1269 (1963 64) the expenditure increased from Rs 10.79 lakhs in 1962-63 to Rs 21.28 lakhs in 1963-64

4. The Hill and Border Area Programme was a new feature in 1963-64 and the disbursement on this account amounted to about Rs. 3.03 lakhs.

5. Establishment expenditure to State Boards increased owing to Commission's sanctioning 100 per cent assistance for the appointment of F.As. and C.A.Os. and their staff to State Boards in 1963-64. The expenditure under this scheme increased from Rs. 4.60 lakhs in 1962-63 to Rs. 6.13 lakhs in 1963-64.

# APPENDIX XLI

(See Para 5 50, 5 51, 5 57)

(ANNEXURE "F" to Accounts of KVTC)

Statement showing the results of the Trading Operation of the Commission at the end of the Year 1963-64

Sl No	Name of the Trading Unit	Surplus	Deficit
		Rs	Rs
	<b>Khadi</b>		
<i>I Emporai</i>			
1	New Delhi		
2	Madras	3 64 364	
3	Calcutta	49 932	
4	Bangalore	17,440	
5	Punjam (Goa)	32,712	
6	Apani Dukan, Bombay	—	61,676
		7,614	
<i>II Production and Sales Centres</i>			
1	In Andhra		
2	In Kashmir	25 693	
3	In Madhya Pradesh (Rewa & other centres)	13 050	
4	In Simla	—	—
5	In Zonal Director, Ujjain (Yarn/Ac.)	772	
6	In Bengal and Assam (Endi, Silk & Khadi)	—	297
7	In Surat	—	3,38,295
		19,209	
<i>III Saranam Karyalaya</i>			
1	Nastik	—	
<i>IV Central Supply Committee</i>			
1	A/T Section		
2	Central Godown	10,54,771 A	
3	Purchase of Surplus Khadi Stocks	47,470	
		—	1,266

Sl. No.	Name of the Trading Units	Surplus	Deficit
		Rs.	Rs.
<i>V. Ambar Charkha Programme</i>			
1.	Ambar Charkha Production A/c. (H.O.)	—	9,878
2.	Ambar Saranjam Bhandar, Ahmedabad	30,095	
<i>VI. Cotton Purchase</i>			
1.	Director cotton, Bombay	840	
2.	Director, Tirupur	—	737
<i>VII. Purchase of Khadi Yarn 60% Value, 75% Value</i>			
1.	Asstt. Director, Dharwar	129	
<i>VIII. Others</i>			
1.	Director, Ujjain (Vastraswavalamban Scheme)	—	857
2.	Khadi Gramodyog Vidyalaya, Nasik	—	402
3.	Asstt. Director, Assam (Rampur)	9,035	
4.	Director, Lucknow (Wool A/c.)	—	—
5.	Director, Lucknow (Yarn A/c.)	—	—
6.	Director, Bangalore (Yarn A/c.)	—	—
7.	Director, Bangalore (Wool A/c. and Raw Wool A/c.)	—	—
8.	Asstt. Director, Hyderabad (Raw Wool)	—	32,067
9.	Director, Patna (Raw Wool)	—	—
10.	Director, Ujjain (Raw Wool)	—	—
11.	Director, Trivandrum (Yarn A/c.)	—	—
12.	Director, Lucknow (Additional Working Capital)	—	—
13.	Director K. S. C. (Civil Supplies A/c.)	—	161
14.	Director cotton Bombay (Raw Wool). (Common Balance sheet under cotton Account)	13,537	—
15.	Dy. Director (Wool) Bombay	17,002	—



Sl No	Name of the Trading Units	Surplus	Deficit
		Rs	Rs
16	Director Lucknow (Ambar spare Parts)	—	—
17	Khadi & Village Industries Commission Cannanore Scheme <sup>a</sup>	—	1,02,553
18	Director Jaipur (Raw wool)	15,164	—
19	Director Lucknow (Raw Wool)	—	—
TOTAL		Rs 17,18,829 <sup>(B)</sup>	5,65,679 <sup>(C)</sup>

(A) Represents savings in trade discounts

(B) Against the certain service and overhead charges are adjustable.

(C) The Surpluses and deficits shown above have been arrived at without taking into account charges on account of interest on capital.

## APPENDIX XLI

(See Para 5.52)

### Annual Accounts of Khadi and V.L. Commission for 1963-64

In Annexure 'F' statement showing the results of the Trading Operations of the Commission at the end of the year 1963-64, surplus and deficit have been indicated.

What is the percentage of loss on production and sale in the case of trading units in West Bengal and Assam (Year 1963-64)?

Reply:

The Trading activity in West Bengal and Assam referred to at item No. 6 under "II—Production and Sale Centres" in Annexure "F" to the Annual Accounts of the Commission for 1963-64 was practically closed in October, 1962. The figures of production, sale, and percentage of loss in 1963-64 are given below:

Loss sustained	Production	Sale	Total (2 plus 3)	Percentage of loss over prodn. and sale
1	2	3	4	5
3,38,295.00	1,11,399.75	12,63,820.00	13,75,219.75	24.59%

The figure of 'production' appearing in the trading accounts for the year 1963-64 represents mainly production on a small scale from the yarn purchased from the 4/6 Spindle Charkha Centres, Collection of yarn which was with the weavers, etc.

The figure under 'sales' represents transfer of stocks to other institutions to the extent of Rs. 10.58 lakhs and actual sales to the extent of Rs. 2.06 lakhs. The loss is mainly due to payment of salaries and wages (Rs. 1.03 lakhs), retrenchment benefit to staff (Rs. 1.49 lakhs) rents and taxes (Rs. 39,000) etc.

For information, however, a statement is enclosed showing production, sale and percentage of loss in the years 1957-58 to 1963-64.

Statement showing the percentage of loss on production and sale in the Trading Units in West Bengal and Assam

Sl No	Year	Profit/Loss sustained	Production	Sales	Total of Production and Sale	Percentage (- ) Loss (+ ) Profit
1	2	3	4	5	6 (4+5)	7
1	1957-58	17,916 08 (Profit)	7,37,252 84	8,97,670 56	16,34,923 40	+1 09%
2	1958-59	20,680 67 (Loss)	17,49,559 78	16,67,077 80	34,16,637 58	-0 06%
3	1959-60	42,943 21 (Loss)	34,27,851 18	38,60,738 55	72,88,589 73	-0 06%
4	1960-61	1,61,014 13 (Loss)	33,44,743 26	1,00,76,319 57	1,34,21,061 83	-1 19%
5	1961-62	3,10,689 77 (Loss)	21,10,119 47	51,31,005 35	72,41,124 82	-4 03%
6	1962-63	3,39,192 59 (Loss)	8,35,901 88	15,47,597 87	23,83,499 75	-14 23%
7	1963-64	3,38,295 00 (Loss)	1,11,399 75	12,63,820 00	13,75,219 75	-24 59%

## APPENDIX XLIII.

(See Para.5.66)

### Annual Report 1964-65 (Para 5.2)

The report indicates that stock of Khadi had gone down by Rs. 2 crores & Rs. 51 lakhs. But on the trading account for the year ended 31-3-1965 there was an increase of Rs. 1.7 crores.

What are the reasons for this increase?

*Reply:*

The figures of stocks of Rs. 11.35 crores on 31-3-1965 and Rs. 13.86 crores on 31-3-1964 appearing in para 5.2 on page 43 of the Annual Report of the Khadi & V.I. Commission for 1964-65 do not include the figures of stocks pertaining to direct trading activities of the Commission.

2. In regard to the trading activities of the Commission, the position of stocks was as under:—

	Opening stock on 1-4-64	Closing stock
	Rs.,	Rs.,
Khadi . . . . .	2,58,18,044.46	3,61,71,434.74
Village Inds. . . . .	8,13,168.99	11,69,341.92
TOTAL . . . . .	2,66,31,213.45	3,73,40,776.66

The main reasons for the increase in stock are as under:—

- (i) Opening of a new K.G. Bhavan at Bhopal during the year 64-65 . . . . . Rs. 11.00 lakhs
- (ii) Adjustment as 'purchases' of Sub-standard cloth procured in previous year but exhibited under 'Advances against purchases' in that year . . . . . Rs. 39.00 lakhs.
- (iii) Stocks in transit against A.T. Supplies adjustable as 'Sales' on receipt of confirmation from receiving Govt. Depts. . . . . Rs. 47.50 lakhs.

## APPENDIX XLIV

(See Para 576)

Point No 12.

Reply to Question No 23 regarding subsidised sale of sub-standard Khadi.

It was stated in evidence that the net loss in all these transactions relating to sub-standard Khadi was Rs 34 lakhs. But in the statement attached to the reply to Question No 23, it is stated that out of goods valued at Rs 19,27,357.08 (Col. 3) the sale proceeds realised is Rs. 7,15,639.00 (Col. 13) and the amount realisable is Rs. 23,25,315 (Col. 14). Therefore, the loss according to this statement would be about Rs 94 lakhs.

What is the correct position of loss?

Reply—The position about disposal of sub-standard cloth and the net loss involved is as under

1 Sub-standard Khadi stocks of gross value of Rs. 19,27,22 lakhs were purchased by the Commission for Rs. 12,94,55 lakhs. (Cols. 3 and 5 of the statement enclosed to reply to Qn. No 23)

2. The agencies to whom the stock belonged, scaled down the value of these stocks by Rs. 6,32,77 lakhs as shown in Col. 4 of the statement mentioned above. This amount includes (a) 20 per cent normal rebate, (b) 9 per cent whole-sale discount, and (c) further discount allowed by the Agencies from their own funds.

3. Out of the stocks purchased by the Commission for Rs. 12,94,55 lakhs, the Commission so far sold stock (of the purchase value of Rs. 12,55,59 lakhs—Col. 6) for Rs. 9,98,11 lakhs (Rs. 9,96,11 lakhs plus packing charges of Rs. 0,20 lakhs), increasing a direct loss of Rs. 25.93 lakhs.

4. Thus, a sum of Rs. 9,98,11 lakhs (Col. 12) became recoverable from the agencies purchasing the stocks which included a sum of Rs. 0,20 lakhs (Col. 11) by way of packing charges. The Commission has so far realised Rs. 7,15,63 lakhs (Col. 13) and the balance of Rs. 28,25 lakhs (Col. 14) is still realisable. Stock worth Rs. 3,86 lakhs (Col. 15) still remains to be sold.

5. Against the sum of Rs. 37 lakhs sanctioned by the Government of India for disposal of these sub-standard stocks at reduced rates, an expenditure of Rs. 33.98 lakhs has been incurred so far. This expenditure of Rs. 33.98 lakhs represents (a) loss of Rs. 25.98 lakhs mentioned in para 3 above, and (b) the loss of Rs. 8 lakhs incurred in the sale of accumulated stocks under the earlier scheme of disposal of such stocks of Khadi through the institutions themselves by allowing (i) reduction in price, to be shared on the basis of 50-50 by the Commission and the institution and (ii) by grant of additional special rebate.

# APPENDIX XLV

(See Para 585)

Annual Report 1964-65

## Point No 8

What are the Annual Rents paid by the Commission for their office buildings godowns etc in Bombay? What annual rent is paid for various buildings in different parts of the country?

How many buildings the Commission own in different parts of the country?

Reply

I The annual rents paid by the Commission for the buildings and godowns in Bombay and other parts of the country as indicated below

	Annual Rent	Remarks
	(Rs )	
(1) In Bombay		
(a) For Trading Units	18,521 82	Details in Annexure 'A'
(b) (i) For non trading units Royal Ins. Building	15,964 90	
(ii) Godowns (Mahalaxmi Godown)	14,127 72	
TOTAL	48,614 34	
(2) In other parts of the country		
(a) For Trading Units	4,02,138 86	Details in Annexure 'B'
(b) For non-trading Units	2,26,450 32	Details in Annexure 'C'
TOTAL	6,28,589 18	
GRAND TOTAL	6,77,203 52	

II. As regards the number of buildings owned by the Commission in different parts of the country. The information is given below:

Sl. No.	Place where the Commission has got its own building(s)	No. of building	Value
			Rs.
1	Bombay . . . . .	1	14,63,371.00
2	Khanapur . . . . .	1	1,79,000.00
3	Nasik . . . . .	1	11,48,515.00
4	Krishnarajpuram . . . . .	1	3,98,764.94
5	Nilokheri . . . . .	1	3,16,655.65
	TOTAL . . . . .	5	35,06,306.59

It may be stated here that all buildings (including sheds, godowns, etc.) situated at one place have been taken as one item and shown against the above said places.

#### ANNEXURE 'A'

*Statement showing the details of Annual Rent paid by the Trading Units of the Commission in Bombay.*

Sl. No.	Name of the Trading Unit	Annual Rent paid (Rs. P.)
1	Ambar Charkha Production Section, Account Head Office, Mahalaxmi, Bombay. . . . .	7,200.00
2	Central Supply Committee, Bombay (A.T. Section), Bombay . . . . .	3,000.00
3	Central Supply Committee, Central Godown, Bombay . . . . .	5,574.12
4	Dy. Director, Wool (Purchase from outside), Bombay. . . . .	898.50
5	Director, Hand Pounding of Paddy, Bombay . . . . .	1,849.20
	TOTAL . . . . .	18,521.82



## ANNEXURE 'B'

*Statement showing the details of Annual Rent paid by the Trading Units of the Commission outside Bombay*

Sl No	Name of the Trading Unit	Annual Rent paid
		(Rs Ps)
1	Khadi Gramodyog Bhavan, Calcutta . . .	59,673 19
2	Khadi Gramodyog Bhavan, Madras . . .	47,482.00
3	Khadi Gramodyog Bhavan, Bangalore . . .	19,101.75
4	Khadi Gramodyog Bhavan, New Delhi . . .	18,367.30
5	Khadi Gramodyog Bhavan, Goa . . .	13,800 42
6	Khadi Gramodyog Bhavan, Bhopal . . .	14,762.50
7	Ambar Saranjani Bhandar, Ahmedabad . . .	13,932.00
8	Director, Kakinada . . .	66,601.89
9	Director, Calcutta (D T A) . . .	15,914.35
10	Production & Sales Centre in Kashmir . . .	21,682.62
11	Production & Sales Centre in Surat . . .	1,920.00
12	Director, Cotton, Bombay . . .	180.52
13	Asstt. Director, Assam (Rampur) . . .	9,376.00
14	Director, Bhujaneswar . . .	898 04
15	Honorary Adviser, Regional Office, Goa . . .	540.00
16	Director, Hyderabad (Raw Wool) . . .	12,586.60
17	Do. . .	11,720 37
18	Bharatiya Tad Gud Shulpa Bhavan, Dahanu	{ 700 00 1,771.75
19	Director, Soap Industries, Khimel Madrasetla	{ Rs. 26.00 Rs. 501.36 } 527.36
20	Honorary Adviser, Goa, Cottage Match Industry . . .	600.00
	TOTAL	4,02,138.86

## ANNEXURE 'C'

Statement showing Annual Rent paid by the Commission for Non-Trading Units at different parts of the country.

Annual Rent Paid.  
(Rs. Ps.)

*West Bengal State.*

1.	State Office, Calcutta		24,996.00	
2.	Beekeeping Area Office, Barinpur		300.00	
3.	Do. Mungpoo		900.00	
4.	Do. Chalsa		600.00	
5.	Do. Pratapur		300.00	
6.	Office Building, Baraipur		936.00	28,032.00

*Assam State.*

1.	State Office, Gauhati		12,000.00	
2.	Beekeeping Area Office, Tejpur.		600.00	
3.	Do. Aijal		540.00	
4.	Do. Tura		480.00	
5.	Do. N. Lakhimpur		300.00	
6.	Do. Cheerapunji		300.00	14,220.00

*Gujarat State.*

1.	Processing of cereals & Pulses Industry		12,134.76	
2.	Vidyalaya at Wanakbori			
2.	Central Date Palm Gur Demonstration Station, Mount Abu		2,400.00	14,534.76

*Bihar State.*

1.	Beekeeping Area Office, Ranipatra		300.00	
2.	Do. Muzaffarpur		300.00	
3.	Do. Bagalpur		300.00	
4.	Do. Darbhanga		300.00	
5.	Do. Ranchi.		600.00	2,100.00
6.	Do. Gumla			

*Himachal Pradesh.*

1.	Beekeeping Area Office, Chamba		360.00	
2.	Do. Saproon		300.00	
3.	Asstt. Palm Gur Adviser's Office, Himachal Pradesh		720.00	1,380.00

*Mysore State*

(Rs Ps)

1	State Office, Bangalore		13,200 00	
2	Beekeeping Area Office, Puttur		360 00	
3	Do	Ldipi	300 00	
4	Do	Sakleshwar	300 00	
5	Do	Muligeri	300 00	
6	Do	Sirsi	300 00	
7	Do	Thirthahalli	300 00	
8	Do	Sagar	300 00	
9	Do	Mysore	300 00	
10	Do	Kumta	360 00	
11	Do	Turnkur	300 00	
12	Do	Castle Rock		
		Mysore State	216 00	
13	Do	Research Station		
		Mercara	3 000 00	19 536 00

*Rajasthan*

1	State Office, Jaipur		8,400 00	
2	Regional Office, Hill & Border Area, Jaisalmer		492 00	8,892 00

*Uttar Pradesh State*

1	State Office, Lucknow		6,480 00	
2	Certification Section, Lucknow		3,000 00	
3	Mon Mahal for State Office, Lucknow		4,200 00	
4	Beekeeping Area Office, Rushikesh		300 00	
5	Do	Munakiri	300 00	
6	Do	Haldwari	300 00	
7	Do	Dehradun	360 00	
8	Do	Almora	300 00	
9	Do	Pithorgarh	480 00	
10	Cottage & Hand Industry, Kanpur		1,296 00	
11	Gr. & Handicraft Industry, Kanpur		9 000 00	26,016 00

*Punjab State.*

1	State Office, Ambala		8,400 00	
2	Beekeeping Area Section, Kangra		300 00	
3	Do	Kulu	300 00	
4	Regional Office, Hill & Border Area, Kulu		3,000 00	12 000 00

(Rs. Ps.)

*Madhya Pradesh.*

1. State Office, Ujjain . . . . .	8,700.00	8,700.00
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*Delhi.*

1. Information Bureau, New Delhi . . . . .	19,638.00	19,638.00
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*Hill and Border Area Office.*

1. Regional Office, Agartala, Tripura . . . . .	4,200.00	
2. Godown for Do. . . . .	3,300.00	
3. Beekeeping Area Office, Agartala, Tripura . . . . .	300.00	
4. Regional Office, Uttarkashi . . . . .	3,000.00	10,800.00

*Kashmir State.*

1. Beekeeping Area Office, Batote . . . . .	300.00	
2. Office of the Dy. Director, Jammu . . . . .	3,600.00	3,900.00

*Manipur.*

1. Beekeeping Area Office, Imphal . . . . .	600.00	600.00
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*Goa.*

1. Regional Office, Goa . . . . .	600.00	600.00
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*Madras State.*

1. State Office, premises . . . . .	9,000.00	
2. Beekeeping Area Office, Yercaud . . . . .		
3. Do. Srivilliputhur . . . . .	300.00	
4. Do. Thandikudi . . . . .	300.00	
5. Do. Marthandam . . . . .	300.00	
6. Do. Tirunelveli . . . . .	300.00	
7. Do. Kulithalai . . . . .	300.00	
8. Do. Coonoor . . . . .	300.00	
9. Do. Dindigal . . . . .	420.00	
10. Do. Coimbatore . . . . .	300.00	
11. Do. Jamnamarathar . . . . .	180.00	
12. Do. Pondichery . . . . .	456.00	
13. Godown for Coconut Palm Gu Pilot station, Nanjuhdapuram (Research Unit store Room and working shed) . . . . .	600.00	12,756.00

*Orissa State*

		(Rs Ps)	
1	State Office Bhubaneswar	4,200 00	
2	Beekkeeping Area Office Sambalpur	360 00	
3	Do Balasore	300 00	
4	Do Cuttack	600 00	
5	Do Chatrapur	420 00	
6	Do Tenore	300 00	
7	Do Puri	384 00	
8	Do Dhankamal	600 00	
9	Central Palmyrah Gur Pilot Mod I Demonstration Station Puri	1,608 00	
10	Do Working Shed Puri	1 848 00	10,620 00

*Kerala State*

1	State Office Thiruvananthapuram	4,200 00	
2	Beekkeeping Area Office Thiruvananthapuram	300 00	
3	Do Kottayam	540 00	
4	Do Kozhikode	300 00	
5	Do Cherpu	300 00	
6	Do Calicut	300 00	5 940 00

*Andhra State*

1	State Office Hyderabad	1,200 00	
2	State Office Kakunada	1 537 56	
3	Beekkeeping Industry Area Office Sertanagaram	360 00	
4	Beekkeeping Area Office Tenali	300 00	
5	Do Vuyyur	360 00	
6	Do Srikakulam	264 00	
7	Do Ichapuram	264 00	
8	Office building at Nidadavolu	300 00	4 585 56

*Maharashtra State*

1	Central Co-ordination Office (Palm-Gur Section) Dhahanu	1 800 00	
2	Office Building at Sawantwadi	1,320 00	
3	Office Building at Kudal	300 00	
4	Central Beekkeeping Research Training Institute Pooni	3,600 00	
5	P G A's Office, Dahang	840 00	

	(Rs. P.)	
6. Central Co-ordination Office, Dahanu .	300.00	
7. Central Co-ordination Office, Dahanu .	1,800.00	
8. Laboratory Building, Dahanu . . .	1,800.00	
9. Training Hostel, Dahanu . . . .	2,400.00	
10. Nursery Section Building, Dahanu . .	1,200.00	
11. Bhavan's Office, Dahanu . . . .	1,920.00	
12. Palm Production Section, Dahanu . .	1,800.00	
13. Ladies Hostel, Dahanu . . . . .	600.00	
14. Office Stores, Dahanu . . . . .	1,500.00	
15. Nursery Stores, Dahanu . . . . .	300.00	
16. Building for training centre, Dahanu .	120.00	21,600.00
GRAND TOTAL .		<u>2,26,450.32</u>

# APPENDIX XLVI

(See Para 5.92)

Annual Report 1964-65

## Point No 9

The quantity and value of wool imported from Tibet for use by the Commission, year wise up-to-date.

What proportion of the requirements of wool of the Commission is imported now?

### 1. (a) Tibetan Wool

Tibetan wool has never been considered as an imported wool. Difficulties began to arise in the matter of supplies of this finer type of wool after Red China's first occupation of Tibet in 1949-50. Consequent to further developments in Tibet in 1954, this wool could be available only under Trade Agreement for some time and in progressively diminishing quantities as indicated below. But after the commencement of Sino-Indian war in 1962 entry of this wool was prohibited.

### Purchases of Tibetan wools by certified Khadi Institutions/Agencies

Year	Value (Rs)	Approximate quantity (Maunds)
1957-58		
1958-59		
1959-60	4,09,500	2730
1960-61	6,04,400	3022
1961-62	7,46,750	2987
1962-63	6,04,800	2016
1963-64*	5,43,900	1813
1964-65	1,66,800	417
	4,00,000*	1600*
	nil	nil

\*Quantities confiscated by U.P. Govt. and later made available to institutions through its Industries Department

(b) *Pashmina*

Consequent upon the occupation of part of Kashmir by Pakistan and export restriction by the Kashmir Government in 1950, the Pashmina, traditionally used by the Institutions in Kashmir and Punjab, became non-available to Khadi Institutions outside Kashmir, while only small quantities were available to Institutions/Agencies in Kashmir.

(c) *Australian Merinos*

The difficulty in the procurement of Tibetan & Pashmina wools led to a demand of suitable substitute wool from the institutions in U.P. and Punjab and Kashmir with a view to continuing the traditional employment of spinners and weavers accustomed to the finer type of Tibetan and Pashmina wools.

2. (i) The Commission regulated the use of imported wool by limiting its use to 20 per cent by weight (as maximum) of the total quantity of raw wools used by any Institution/Agency during a year. An extract of item 8 of the Resolution of the Certification Committee to be implemented by the Institutions is given below:

"The foreign wool can be used in limited quantities for woollen Khadi production. The unlimited use of foreign wool would adversely affect the interest of local wool growers. Hence, institutions may use Australian or foreign uncarded wool upto the maximum of 20 per cent in weight. Before purchasing foreign wool, the Institution should obtain previous permission from the office of Certification Committee."

(ii) The values of imported raw wool and Indian wools used from 1961-62 onwards are given below:

(Rs. in lakhs)				
Year	Value of imported raw wool purchased by Institutions in the market	Value of raw wool imported by the Commission	Value of total foreign wool used	Value of Indian wool used
1	2	3	4	5
1961-62	13.39	Nil	13.39	120.00
1962-63	10.75	3.90	14.65	187.00



1	2	3	4	5
1963-64	9 32	4 57	13 89	235 00
1964-65	9 8	4 80	14 60	271 00

(iii) In view of the difficult foreign exchange position and the consequent small quantities of imported raw wool that will be available in future the Commission sought in 1964-65 to further regulate the use of imported wool by suggesting a rationalization of production variety wise. This may result in

- use of imported wools only in areas where spinners of fine and super fine yarns and weavers of these yarns must be kept in occupation and employment.
- distribution of some quantity of foreign wool for meeting the needs of the people in Himalayan Border Areas traditionally accustomed to fine and soft wool
- Comparative production figures are given below—

*Production of Woollen Khadi*

Year	Total Prodn	Value of Pashmina Goods	Value of Tibetan woollen Khadi	(Rs in lakhs)	
				Value of Merino woollen Khadi	Value of 'Desi' woollen Khadi
1961-62	298 51				
1962-63	415 89	3 50	16 32	40 18	238 51
1963-64	535 61	3 00	5 00	43 96	363 93
1964-65	470 31	3 00	9 00	41 68	481 93
		3 20	3 00	43 80	410 31

# APPENDIX XLVII

## Summary of main Conclusions/Recommendations

Sl. No.	Para No.	Ministry/ Department concerned	Conclusion/Recommendation
1	2	3	
1	1.12 1.13	Commerce Finance	<p>The Khadi and Village Industries Commission has grown up to huge proportions employing lakhs of people and it has received grants and loans from public funds which have already amounted to As. 173.09 crores. Khadi, if it has to serve its purpose in wider context, should continue to be the symbol of purity, integrity, simplicity and economy with which selfless workers and patriots have been associated. Therefore, while developing and promoting Khadi it should be the main objective of the Commission to see that the public image is not tarnished and these attributes do not suffer any diminution.</p> <p>In keeping this objective in view, the Khadi &amp; Village Industries Commission, more than any other organisation, must ensure a proper system of accounting and audit, a better financial discipline and stricter control and supervision over its affairs. From the facts placed before the Committee, they cannot but come to the conclusion</p>

sion that the financial affairs of the Commission including these of the State Boards leave much to be desired. In this connection the Committee would like to point out that the Commission had not till 1963-64 prepared a consolidated profit and loss account and a balance sheet (vide para 46 of 38th Report of P.A.C. 1964-65). The Commission had prepared for all these years only Receipt and Payments Accounts which did not give a clear idea of the financial position of the Commission. The Committee cannot but emphasise the need for maintaining the consolidated profit and loss accounts and balance sheet by an organisation which has invested huge public funds, in its trading activities.

The Committee feel in the circumstances that keeping in view that the total financial assistance given to the Khadi and Village Industries Commission alone, by Government of India so far is Rs 173 crores (including a sum of Rs 23.25 crores given to the Khadi and Village Industries Board before the Commission was set up) and the additional financial allocation sought during the Fourth Five Year Plan is of the order of Rs. 270 crores, there is much leeway to be made yet to bridge the gap between the aims, objects and programme with regard to khadi and village industries as envisaged in the Five Year Plans and the actual achievements made. The Khadi and Village Industries cannot be said to have acquired sufficient vitality to be self-supporting nor has it been possible to reduce progressively the rate of subsidies, rebates and

Commerce  
Finance

sheltered markets," (actually these have been increasing as seen from Appendix 7) nor the aim of "gradual reduction of dependence on urban markets and correspondingly greater production for local use" has been fully achieved.

The Commission was set up in 1957. It has functioned for almost a decade now. But the Committee have been informed in the written note that "steps are, however, being taken to create a situation favourable for the reduction in subsidy. These include reservation of spheres, adoption of improved technology in spinning, weaving and other ancillary processes of production." This is rather surprising in view of the fact that as long back as 1956 the Industrial Policy Resolution had laid down that "the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting".

The Committee therefore desire that the Planning Commission and the Government should have a fresh look at the entire question of Khadi and Village industries so as to lay down clearly as to what would be the State Policy—whether it is to be made self-supporting in the foreseeable future or it is to continue to depend on financial assistance from Government on the massive scale as at present. The magnitude of the assistance envisaged can be gauged from the fact that while a sum of Rs. 183.33 crores have already been given to the Commission and the State Boards by the Central and State Governments, according to the Annual Report, 1964-65 of Khadi and Village Industries Commission, the financial allocation sought during the Fourth Five Year Plan is Rs. 269.81 crores (minus Rs. 67

Commerce

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Commission

crores already with the Commission) The Committee feel that the apparent contradiction between the statement of the Commission that in the strict commercial sense Khadi has never been conceived to be a self supporting industry and views of Mahatma Gandhi objectives laid down in Five Year Plans and the policy declaration made in the Industrial Policy Resolution 1950 that the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be 'self supporting' needs to be taken note of and resolved by Government

#### Commerce

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In the opinion of the Committee while considering the employment opportunities created by the Khadi and Village Industries it has to be borne in mind that a majority of the persons concerned have been given supplementary occupations. Therefore when it is stated that 23 60 lakhs persons are having work opportunities for more than 6 hours a day for about 200 days a year the Committee would like to point out that with regard to 'Employment' under Khadi (which covers 16 25 lakhs out of 22 60 lakhs persons) the Working Group in para 11 88 of their Report have observed as follows —

Some sample surveys undertaken by the Commission have shown that while a large proportion of weavers' families in rural areas is generally agricultural landless workers, a sizeable portion of spinners is from among small agricult-

tural landowners and lower middle class such as teachers clerks etc. We consider that all these have an important bearing on understanding the nature and content of employment in khadi. In short, spinning provides employment for about 2 to 4 hours in a day for about 100 to 150 days and weaving for 6 to 8 hours a day and for about 200 days a year."

The Committee feel that with the experience gained so far by the Commission, it should evolve suitable objective criteria for assessing the part-time full-time/seasonal/continuous employment offered by the programmes of Khadi and Village Industries. Thereafter, the Commission should undertake periodical reviews of the actual employment potential generated and include the results of such reviews in its Annual Report.

The Committee appreciate the efforts being made by the Commission to increase the wages of the spinners and weavers. They would suggest that in view of the constant rise in the cost of living, a periodical review of the position should continue to be made so that the spinners and weavers, who are the basic workers, are given the proper wages.

The Committee suggest that the amount of grants/subsidies to be given to these two sections (Khadi & Village Industries) should be suitably prescribed by Government while releasing grants and loans to Commission by relating it to actual production.

Commerce

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This indicates that the productivity in the village industries is much more than in the case of khadi.

The Committee note from the statements that with regard to the Class IV Staff under the Commission, while on 31st March, 1964 the sanctioned strength was 547, the actual strength as on 31st March, 1965 was 593. Similarly, from the other statement it appears that 222 posts in various categories were created after the appointment of the Administrative Improvements Committee on 24th March, 1964. The Committee are unable to understand the reasons for creating so many posts after the appointment of the Administrative Improvements Committee, one of whose functions was to examine and suggest the scope for introducing economy in the working of the Commission with particular reference to the administrative machinery. On the face of these facts the Committee are unable to understand what precautionary measure of not filling certain number of posts and putting a ban on the recruitment to the ministerial posts was taken by the Commission as stated in evidence. The Committee would like this position to be clarified.

The Committee trust that the recommendation of Administrative Improvements Committee will be implemented early.

From the report of the Administrative Improvements Committee and the evidence given before this Committee, it is clear that there

is scope for substantial economy of about Rs. 40 lakhs per year under administrative expenses alone. This indicates the need for closer supervision and tighter administration.

The Committee are glad to be told in evidence that the Commission shall approximately reach the figures suggested by the Administrative Improvements Committee. While the Committee appreciate that the proposals made in the Report of that Committee have to be considered, they, however, feel that since the Committee itself has divided the economy into two parts, immediate and subsequent, it is hoped that the Commission would implement the recommendation concerning the immediate economy immediately.

The Committee are surprised to find that while the various State Governments have given Establishment Grants amounting to more than five crores of rupees to the State Boards concerned during 1953-54 to 1964-65, the Khadi & Village Industries Commission have also given establishment grant totalling Rs. 29.80 lakhs to the various State Boards from 1958-59 to 1964-65.

The Committee fail to understand the reasons for giving establishment grants to State Boards by the Commission also, as the Commission are themselves maintaining, "a Branch Office in each State manned by a Director with adequate ministerial and technical staff." The Committee are of the view that the arrangement and understanding that establishment charges of the State Boards shall be met by the State concerned should be adhered to strictly.

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## Commerce

The Committee also desire that the Commission should appoint a Committee similar to Administrative Improvements Committee for examining the administrative set up of the State Boards with a view to effecting economy and efficiency.

Commerce  
Finance

The Committee find from the details of 19 Committees that although many of the Committee were appointed in 1957 onwards it was only recently that 53 Committees were abolished. It is really surprising that money was being spent on so many Committees which apparently did not have any important function to perform. The Committee would like the Commission of their own accord to be alive to the need for economy in administration.

## Commerce

It has been stated in the note that the reasons for variations in expenditure have been urgently called from the State Offices and will be furnished on receipt. It, therefore, appears that there is no system under which the Commission scrutinises the variations in items of expenditure incurred by their State Offices even when there are obvious inconsistencies.

The Committee would also like to point out that the Working Group on Khadi and Village Industries in para 335 of their Report have observed:—"We have noticed considerable overlapping and duplication between the staff of the State offices of the Commission and of the State Board, in respect of village industries programmes.

Both the Commission as well as the State Boards have technical and supervisory staff." The Administrative Improvements Committee have also observed in page 24 of their Report that "we found that in some of the State offices, persons holding technical posts such as Technical Assistant-II (Cotton), Technical Assistant-II (Texture Improvement) are utilised purely for ministerial work, which could be attended to by LDCs or UDCs. It is obvious that these technical posts are not required."

The Committee trust that the Commission will without further delay give due consideration to these observations and recommendations and take effective steps to put matters right and avoid such overlapping, duplication and improper utilisation of staff in future.

Since the regulation of the rates for travelling and daily allowances is with the prior approval of Government, the cut imposed in the rates should also have been approved by Government.

The Committee need hardly point out that the state of affairs disclosed regarding auditing of accounts is rather disturbing and requires immediate remedial measures.

The Committee desire that in future the Accounts of the Khadi and Village Industries Commission placed before Parliament should contain all the Annexures referred to in the Statement of Accounts and the documents should be complete in all respects and in proper

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form with a proper cover. Nor should the documents be in mutilated form with pastings etc. as was the case during the last two years.

#### Commerce

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The Committee would, however, like to point out that since the Khadi & Village Industries Commission gives large sums of money to State Boards, as grants and loans it becomes the responsibility of the Commission to see that those sums are properly utilised for the purposes for which they are given.

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#### Do.

As the Audit Reports with regard to the various State Boards are examined by the concerned Public Accounts Committees in the States, this Committee do not wish to make any observations thereon. "But the Committee cannot but show their concern at the state of affairs revealed by the various Audit Reports on the State Boards in view of the fact that the Commission is functioning to a large extent through the State Boards and disburse large amounts to them." It is clear, however, from the various Audit paras appended to this Report that the working of the State Boards leave much to be desired.

This has become apparent during the course of examination of the Accounts of the Commission for the year 1963-64.

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In the opinion of the Committee, it is necessary to put men, who are devoted and sincere and at the same time capable of drive and initiative and in a position to run the organisations smoothly and efficiently, at the helm of affairs of the State Boards to set matters right.

In this connection, the Committee would like to quote from a letter dated the 21st December, 1963 from late Prime Minister Shri Jawaharlal Nehru to the Chief Ministers of all States, which bears repetition:—

“The Commission and the All India Khadi & Village Industries Board are composed of men and women who have abiding interest in the Khadi & Village Industries Programmes and/or have been constructive workers. Besides, in the composition of the Commission and the all India Khadi & Village Industries Board, the Government of India consults the Chairman of the Commission and the Sarva Seva Sangh. I believe that if the State Khadi & Village Industries Boards are also composed of men animated by the same motives and having similar experience and aptitude, they will be able to render better services to the artisans engaged in the Khadi & Village Industries Programmes.”

The Committee would impress upon the Commission the desirability of asking the State Boards to furnish audited accounts regularly and in time. They trust that the backlog in this respect would be cleared at an early date and from the year 1965-66 the accounts would be kept up to date. A time limit should be set for completing these past accounts. For future accounts also a date must be stipulated by which the accounts must be submitted to the Commission.

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The Committee regret to learn that even the rules were not framed, as required under the State Acts, for the purpose of preparing accounts, in the case of several State Boards though several years have passed since the enactment of State Acts and that their accounts were in "a kind of muddle". The Committee would like to be informed whether all the State Governments concerned have since framed rules under the relevant Acts for the purpose of preparing accounts of the State Boards and whether any uniformity has been achieved in this matter. They would also like to know how far the position as regards accounting has improved with the introduction of the system of F.A. and C.A.O.s in State Boards and whether the accounts are now maintained upto-date in all the State Boards. The Committee desire that the Commission should insist upon proper maintenance and submission of Accounts as a condition precedent to release of funds.

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The Committee are glad to know that the Commission were instituting a system of "examining not only the accounts but actual fulfilment of the programme". In their opinion this sort of achievement audit is very necessary in the case of the Programme under taken by the Commission. The Committee suggest that the Annual Report of the Commission should indicate the results achieved in this direction.

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The Committee note from the statement that 16 Institutions were treated as defunct during the period 1959-60 to 1963-64 on Khadi side.

On the Village Industries side 57 institutions/societies were treated as defunct during the period 1959-60 to 1964-65. The Committee feel disturbed over the position of so many defunct institutions/societies from whom loan instalments are due or are to be confirmed. The Committee fail to understand why the inspections did not reveal the financial position of the societies etc. so that preventive action could be taken by the Commission in time. The Committee desire that the system of audit and inspection should be tightened up so that such lapses do not recur.

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The Committee would also like to be informed the number and other details of the societies/institutions which received assistance from the State Boards and which have become 'defunct' and the amount involved therein. The Committee feel that this information should be communicated to both the Central Government as well as the State Government immediately it is known that a particular institution has become defunct.

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The Committee feel that unless the confirmation of balances is received from the institutions in time it would not be possible to satisfy the elementary need of audit and accountancy that the amount shown as due from particular institution is correct and undisputed.

The Committee would therefore like to watch the result of implementation of the new procedure evolved by the Commission whereby the Institutions would not have to approach the General Body for getting the resolution passed.

27 4 19 Commerce While the Committee agree that constitutionally the State Boards are answerable to the State Government and State Legislatures, they cannot appreciate the sense of helplessness expressed by the Chairman KVIC as the Committee feel that the Commission is in a position to exercise the power of the purse, the authority of the lender and creditor to ensure proper accounting and prompt repayment by stipulating the condition on which it would give financial assistance to the Boards Pending suitable legislation the Committee feel that the Commission should take immediate steps to inculcate proper financial discipline in the functioning of the State Boards with a view to safeguarding the public funds

28 4 20 Do

The Committee further desire that vigorous steps should be taken to realise the overdue amounts from the various State Boards and the latter should be asked to settle the cases of defaulting of defunct societies financed by them early. The Committee would like to be apprised of the outcome of the discussions held with the State Boards in this regard

29 4 23 Do

The Committee are alarmed at this state of affairs where even the losses due to misappropriation, fraud, theft etc. are not known to the Commission. The Committee would like to be informed of the total losses suffered by the Commission and the Boards as a result of misappropriation, fraud theft, etc and the extent to which they have been written off.

Do.

Since Parliament votes money to the Commission through the Ministry of Commerce the responsibility with regard to large scale difficulties with reference to finances advanced will rest with the Commission. It is therefore for the Commission with the help of Central Government to devise a suitable system which will remove this difficulty with regard to State Boards.

The Committee desire that the Commission should also examine the feasibility of incorporating suitable provision in the Khadi and Village Industries Commission Act with a view to regulating the relationship between the State Board and the Commission.

The Committee are surprised that though almost 9 years have passed, since the Commission came into existence, the relationship between the Commission and the State Boards has not yet been either defined or put on proper footing. In the meantime large amounts of fund have been advanced to these State Boards and through them to the Institutions both by way of Grants and loans without adequate control or scrutiny. The Committee desire that this state of affairs should be remedied forthwith and adequate safeguards and controls should be provided in the scheme of financial assistance given to them.

Do.

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The Committee would desire to be informed whether any steps have been taken to bridge the gap between the State Boards legislation and the Central Legislation in regard to Khadi and Village Industries. They also desire that the question be examined whether



the power to issue directives to the State Boards as proposed, would be conducive to greater efficiency and economy and enforcement of financial discipline and whether such a power is not implicit by virtue of the fact that large sums of money are being advanced by the Commission to the State Boards

33 4 40 Commerce

The Committee trust that with the introduction of imprest system, funds would not be released by the Commission in excess of the requirements of the Boards and there would be no occasion for the retention of unspent balances by them

34 4 43 Do

The Committee desire that the Commission should carefully examine the competence of the State Boards to implement the schemes under the various industries before releasing funds for such schemes, after taking specific declaration to that effect from the State Board concerned.

35 Do Do

The Committee note that the Commission has impressed upon the State Governments to give their full share of assistance to the State Boards and to meet the committed expenditure in full. The Committee suggest that the Commission should make this full payment of the committed expenditure by the State Governments a condition precedent to the payment of any grant or loan to the State Boards.

The Committee are surprised to learn that there was no proper procedure to ensure that an institution did not receive grants/loans from the Commission as well as the State Board for the same purpose. The Committee trust that with the proper implementation of the new procedure such a possibility will be eliminated.

The Committee have in the past stressed the importance of furnishing the utilisation certificates by the institutions and State Boards concerned. The need for insisting on the production of the certificates assumes importance in view of the fact that according to the Chairman of the Commission himself the conditions in the State Boards are, "at the lowest which require a lot of supervision and control." In this connection the Committee would like to reproduce with approval the following observations made in para 3:50 of their Group on Khadi and Village Industries made in the Commission Report, which has been accepted by the Commission:

"We agree with the Public Accounts Committee that drastic steps should be taken by the Commission in regard to grant of further assistance to the State Boards and institutions which are not in a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. We would also suggest that where a State Board or an institution, in spite of several requests, persistently defaults in rendering proper accounts or furnishing utilisation certificates, further assistance to such State Boards or institutions should be discontinued. We have no doubt that such a step, while it might sound

harsh, is likely to be more salutary and result in strengthening financial discipline and accountability for public funds

The Committee hope that action to obtain the utilisation certificates which are outstanding will be pursued vigorously and the backlog cleared at an early date

They trust that with the steps contemplated no arrears relating to utilisation certificates would be allowed to accumulate. The Committee have no doubt that there is imperative need to strengthen financial discipline and accountability for public funds in regard to the grants/loans advanced by the Commission to the State Boards institutions. The Commission should not hesitate to take all the measures necessary to achieve this end

4 64 Commerce

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The Committee feel that besides exercising financial control, the Commission should also have an efficient machinery at its disposal to which the progress made by the State Boards in their work. They also suggest that the system of regular inspection of the State Boards by the officers of the Commission should be adopted on a permanent basis with a view to examining the administrative and financial efficiency and the actual achievements of the State Boards.

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The Committee welcome the proposal to introduce Financial Adviser and Chief Accounts Officer in every State Board and hope

that this would help in ensuring financial discipline and proper and upto-date maintenance of accounts.

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The Committee would like to be informed of the result of arbitration in due course. They would like the Commission to ensure that the arbitration proceedings are not unnecessarily delayed.

While the Committee note that the total default has been brought down substantially and the remaining unrecovered defaults are likely to be adjusted/cleared, they cannot appreciate that a total default of Rs. 22.58 lakhs was allowed to accumulate against the Kastruba Seva Mandal, Rajpura. The Committee would stress the need for taking prompt action as soon as defaults are noticed so that such defaults are not allowed to accumulate in future.

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The Committee feel perturbed that a society which is expected to be manned by dedicated and devoted persons and workers has indulged in such serious irregularities as have been pointed out in the report. This indicates the need to exercise greater scrutiny over the credentials of societies and institutions at the time of giving grants/loans to them, and also to insist on proper and timely submission of accounts before releasing further grants/loans.

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The Committee would like to be informed of the final outcome of this particular case.

The Committee feel perturbed to note that it is admitted on all hands that the working of most of the State Boards is far from satisfactory. The Accounts also were not maintained properly. In

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these circumstances the Committee feel that time is not yet ripe for the transfer of functions of the State offices of the Commission to the State Boards. The Committee also feel that the Commission have to proceed cautiously in implementing the recommendations made in page 16 of the Administrative Improvements Committee that the responsibility of the implementation of the programme must be entrusted to the State Boards as in the opinion of the Commission itself "the weakest link in the organisational chain is the State Board". Unless therefore the Commission are fully satisfied about the level of efficiency attained by State Boards, it would not be desirable to hand over functions of the Commission (or its State offices) to the State Boards. It is, however unfortunate that due to these shortcomings the functions cannot be transferred to the State Boards and in the extent the duplicate organisation and duplicate expansion would continue for sometime at least.

As the Commission give grants and loans to the State Boards, their responsibility through the Ministry to Parliament which votes the money remains. The Committee therefore, welcome the proposal of the Minister to set up a Committee for the purposes of reviewing the position and harmonising the relations between the State Boards and the Commission. The reviewing Committee should *inter-alia*, suggest measures for improving the position of the State Boards so that they can take over the responsibility of implementa-

tion of the programme as recommended by the Administrative Committee.

The Committee regret to note that in this case, almost the entire grant given for a specific purpose became ineffectual. They also fail to understand the basis of the payment of the grant of Rs. 6,400 for the maintenance of 165 trees which was apparently excessive. The Committee hope that greater care would be taken in future in the matter of selection of sites of assessment of the quantum of grants etc. and assistance of persons with knowledge of plantation and replantation would also be taken.

The Committee understand from Audit that before the release of funds in July, 1962, the State Board had with it unspent balances of Rs. 1:20 lakhs (grant) and Rs. 3.14 lakhs (loan) at the end of 1961-62 (the refund of which according to the Commission's own statement was asked for by the Commission in November, 1962 and February, 1963). In these circumstances, the Committee are unable to discover any justification for the release of further loans and grants to the State Board in July, 1962. It is also clear that when release of further funds was made in January, 1963, the loans and grants paid in July, 1962 had not been fully utilised as unspent amounts of Rs. 6,87,552 and Rs. 3,19,239.21 were refunded to the Commission in December, 1963 out of the total amounts of loans and grants amounting to Rs. 10,77,000 paid in July, 1962 onwards. The Committee further understand that the State Board was re-

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quired to spend the loans and grants amounting to Rs 3.83 lakhs received from the Commission in July, 1962 within three months of their drawal and to refund any unspent balances. The Committee are surprised to find how further funds were advanced by the Commission to the State Board in January 1963 when the latter had neither utilised the amounts even during the six months which had elapsed nor had it refunded the unspent balances. The Committee would like the Commission to ensure that previous grants/loans have been fully utilised by the State Boards before releasing further grants/loans to the same institution or Board.

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Commerce

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The Committee note that a total of Rs 181.95 lakhs has so far been given as grants and loans for the construction of godowns. The Committee are unable to appreciate the reasons advanced for not showing in the Accounts the figures of grants/loans given to Village Industries for the construction of godowns specially in view of the fact that so far a total amount of Rs 42.56 lakhs has been disbursed by the Commission for this purpose, according to the statement furnished. The Committee would therefore desire that the figures relating to construction of godowns in regard to Khadi and Village Industries should be fully and clearly indicated in the Accounts of the Commission. A separate register should be maintained giving details of each godown so constructed.

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The Committee would also like to suggest that the feasibility of implementing the recommendation of the Working Group that "as

far as possible accommodation for storage, of raw materials and finished products of Khadi and Village Industries should be hired" should be considered. The Committee hope that a suitable solution to the problem of goowns will be found commensurate with economy in expenditure.

The Committee hope that the normal tendency to under-estimate departmental receipts will be avoided in future.

The Committee hope that early steps would be taken to amend the legislation to remove the legal lacuna in this regard.

These figures indicate that there is much scope for improvement in budgeting techniques. It appears to the Committee that the steps taken are not adequate and suggest that further action should be taken to make the budgeting more precise.

The Committee recommend that the assistance to the Sales organisation should be related to the stocks kept rather than to the sale turnover at the end of the year.

The Committee desire that the entire work relating to the working out of the scientific basis for the fixation of the Working Fund should be completed without further delay and the result communicated to the Committee.

The Committee would like to invite attention in this connection to the following passage in para 11.12. of the Report of the Working Group on Khadi and Village Industries:

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Do.

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It is obvious from the figures of disbursements of working capital loans that the institutions have, on the basis of the formula adopted by the Commission a sum of nearly 50 percent more than what they are entitled to. This position certainly needs looking into."

As there is no mention about this aspect in the comments of the Khadi & Village Industries Commission on the Report of the Working Group (Page 139), the Committee hope that the Commission would look into this aspect so as to reconcile the written reply furnished to the Committee.

The Committee note however that with regard to the observation of the Working Group made in para 11.12 of their Report, the Commission have expressed the view "in any case it appears that the total volume of working capital for production is on the higher side. This problem however, is being examined by the Working Capital Committee". The Committee trust that the imbalance pointed out by the Working Group will be rectified.

The Committee are surprised that the Commission should have continued to adopt this formula evolved during 1930-36, which had become completely out-moded and which had no relation to reality. The Committee desire that the position should be examined so as to make the formula realistic on the basis of present day conditions.

The Committee find from Table 3 (page 35) and Table at p. 87 of the Annual Report, 1964-65 of the KVIC, value of production and sales has been given under item 6, taking production plus sales as one turnover. Since the Tables give separately value of production and value of sales, the Committee are unable to understand the need for this item. In para 12.23. of the Annual Report, 1964-65, the turnover has been taken as production plus sales. The Committee consider this as misleading. The turnover of an organisation should be the production only to assess the correct achievement.

The Committee note that it is not easily possible to have a clear idea of the total value of production of Khadi as against the financial assistance given from the existing Annual Report, 1964-65 (Advance Copy) and the tables included therein. In order that the reader may have a clear idea about the achievements of the Commission *vis-à-vis* financial assistance given by the Government the figures given in the tables and the figures given in the Report itself should not be at variance. In this connection a note explaining item 7 in table 3 of page 35 of the Annual Report 1964-65 and reconciling the figures with the statement made in the para 3.15. of the Annual Report has been received. The Committee are glad to note that in the revised Annual Report, 1964-65, the Tables referred to have been suitably revised.

It is unfortunate that the books of the Commission had not been showing separately the financial assistance granted by the Commission and the repayments, so far. The Committee would like to be apprised of the rectification of this defect.

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58	5 53	Commerce	<p>The Committee find from the statement furnished that in the case of the Trading Units in West Bengal and Assam the quantum of loss sustained is gradually increasing. The Committee desire that a thorough examination of the workings of the Trading Units which are running at losses should be undertaken so that remedial action can be taken promptly to prevent losses. It is needless to point out that the trading units should be so run as to make profits. If they fail to do so the question of closing them down should be examined.</p>
59	5 56	Do	<p>The Committee feel perturbed to note that so much delay has occurred in coming to a decision about a simple matter. They would like this matter to be finally settled expeditiously.</p>
60	5 58	Do	<p>The Committee desire that the point of dispute with regard to supply of goods to the Government should be settled at an early date and the position regularised.</p>
61	5 60	Do	<p>The Committee are glad to be assured that the Commission will not plunge into increased production unless they had assured that there was market for the goods.</p>
62	5 63	Do	<p>The Committee would like the Commission to look into the accumulation of large stocks in the Andhra and Calcutta Emporia at an early date and take suitable remedial measures so that there is no financial loss due to deterioration in the accumulated stock.</p>

Do. The Committee suggest that in order to give a clear idea, the statement 'should' include two more items—opening stock as well as closing stock.

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Do. The Committee suggest that in future the Annual Report of the Khadi Commission should also include in the statement relating to details of the "disbursements as percentage of turnover", the figures of opening stock as well as closing stock. This will give a clear picture of the correct position.

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The Committee further suggest that the figures of stock of the Khadi shown in the Annual Reports should also include the figures of stock pertaining to direct activities of the Commission.

The Committee hope that this work (reconciliation and confirmation of balances) would be completed expeditiously.

Do.

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While it is true that the Public Accounts Committee did not hint at any *malafide* in this transaction, they would nevertheless point out that the whole transaction certainly does no credit to the organisation. It is clear that there were several changes of policy as regards the authority who would dispose of the sub-standard Khadi and what should be the scheme for the disposal. Ultimately while the institutions scaled down the value of stocks worth Rs. 192.72 lakhs by as much as Rs. 63.27 lakhs, the Commission itself suffered a direct loss of Rs. 25.98 lakhs in disposing of stock worth Rs. 125.59 lakhs. In other words, sub-standard Khadi of the gross value of Rs. 192,72,357

Do.

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			leaving a stock of Rs 385,982 was ultimately sold for Rs 99,61,291 of which a sum of Rs 28,25,315 is yet to be realised. The loss so far incurred is Rs 89,26 lakhs. This indeed is a sorry state of affairs.
67	5 31	Commerce	<p>While the Committee agree that with the increased production of Khadi, the possibility of production of sub standard Khadi cannot be completely ruled out, they feel that with proper care and supervision the factors pointed out by the Khadi Marketing Committee can easily be rectified if not eliminated altogether. Since the Commission is stated to have taken adequate steps to ensure that similar instances do not arise in future, the Committee would like to keep a watch over this matter through future Audit Report.</p>
68	5 33	Do.	<p>The Committee are distressed to note the abnormal delay (in some cases of about 10 years) in preparing the accounts relating to the exhibitions held long ago. They suggest that the Commission should take serious notice of such lapses in preparation of accounts. The Committee also note from reply to Question No 25(ii) that a manual of procedure for the conduct of exhibitions financially assisted by the Commission is under preparation. They would like this work to be expedited and steps taken to ensure that the authorities concerned follow the procedure laid down in the manual.</p>
69	5 36	Do.	<p>In these circumstances, the Committee would suggest that the Commission might examine the feasibility of having their own build-</p>

ings in those places where the annual rents being paid by the Commission are high, provided this would prove economical in the long run.

The Committee are of the view that considering the need for earning foreign exchange the Commission should give the question of export of Khadi a careful and urgent consideration.

The Committee note that the Commission are alive to the need for restricting the use of foreign wool in the production of woollen Khadi and the certification Committee have laid down in their resolution that institutions may use Australian or foreign uncarded wool upto the maximum of 20 per cent in weight. The Committee would also like Government to consider ways and means of replacing imported wool by local wool of proper quality, as the idea of using foreign wool in the production of woollen Khadi sounds highly incongruous.

do.

The Committee would like to point out that this is not very convincing as some statements indicating action taken on recommendations made in their Seventh Report presented in March, 1963, were still remaining outstanding in January, 1966. The Committee desire that the information should be furnished more expeditiously, and special attention should be given to this matter so that there is no undue delay.

do.

In the opinion of the Committee this is only an illustration of the manner in which the Ambar Charkha programme is working.

Commerce  
Finance

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Commerce

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Commerce

The Committee would therefore reiterate the recommendations made by the Working Group that the Commission should undertake immediately a comprehensive census of all the ambar charkhas whether active idle lost destroyed unserviceable etc. The Committee are also in agreement with the suggestion made by the Working Group that if an institution is not able to account for an ambar charkha or unable to give information about its whereabouts serious notice should be taken when considering proposals for assistance for its programme

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Since the Commission have accepted the recommendations of the Working Group the Committee would suggest that these be implemented early

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Commerce  
Finance  
Planning Commission

After a detailed examination of the accounts and audit report of the Khadi and Village Industries Commission and on the basis of the facts placed before them the Committee feel that a quick and enormous growth in the activities and in the financial outlay without ensuring proper financial and administrative control by the Commission over their own organisation, State Boards Cooperative Societies and Institutions has resulted in extra expenditure (which run into crores of rupees) that is not commensurate with the results achieved. The Committee therefore would like to refer to the following recommendations made by the Administrative Improvements

Committee at page 16 of their Report with which they are in full agreement:—

“We would like to state that after a deep and prolonged thinking over this situation, as it exists, we have come to the conclusion that in the long run, it would be advantageous and economic, if the Commission decides to spend a year or two for consolidating the ground already covered and for developing suitable agencies at the State level, block level and village level for future development. During this period, the financing could be restricted to the continuation programme already undertaken.”

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Keeping in view the fact that the Commission have sought a financial allocation of Rs. 270 crores during the Fourth Plan period, the Government and the Commission would do well to accept the recommendation of the Administrative Improvements Committee that the Commission should spend a year or two for consolidating the ground already covered. In the light of this recommendation, the question of suitably reducing the financial allocation during the Fourth Plan period, may be carefully examined by Government.

A perusal of the Report of the Administrative Improvements Committee confirms the doubt expressed by the Public Accounts Committee in the past (*vide* para 62 of 7th Report of P.A.C. 1962-63) that there was considerable scope for economy in the Administrative Expenditure of the Commission, at various levels due to over-



Commerce

The Committee hope that both the Commission and the Ministry would avoid such overstaffing in future

Finance

Planning Commission

The Committee fully appreciate the importance of Khadi and Village Industries in providing much needed employment potential in the rural areas. They are in agreement with the underlying philosophy behind these activities. However keeping in view the fact that the Central Government has thus far given a huge sum of more than Rs 170 crores for these activities (in addition to about Rs 10 crores by the State Govts) and in view of the financial allocation of Rs 270 crores sought by the Commission for the Fourth Plan the Committee cannot over emphasise the paramount need of ensuring proper care economy and financial control over various activities connected with the Commission. The Committee feel that the time has come for the matter to be reviewed by the Central Government at the highest level to make an overall assessment to see whether the results achieved so far have been commensurate with the financial outlay, in terms of production as well as the employment potential generated.



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27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School annexe, Imphal	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, London, W.C. 2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			